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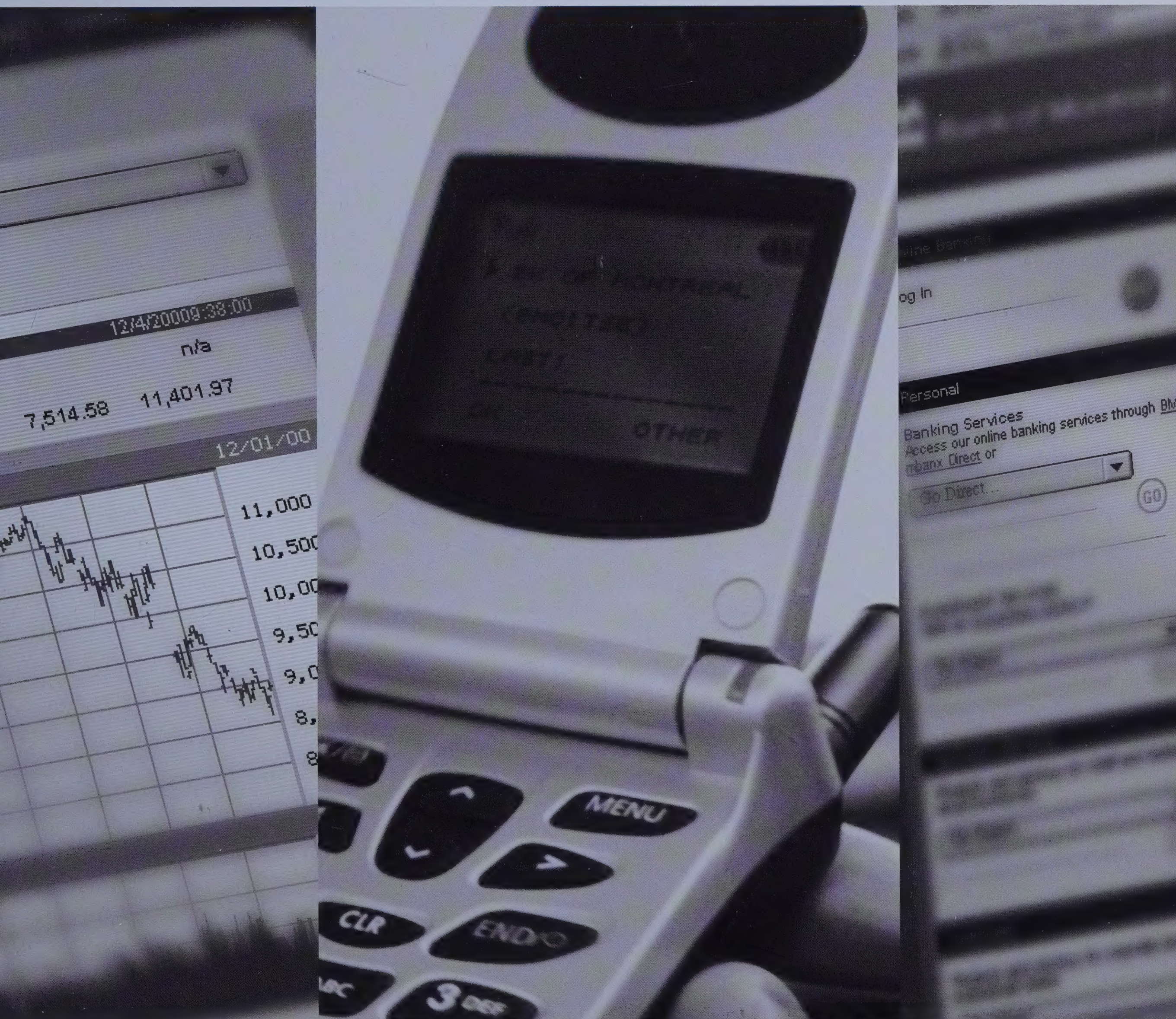

Bank of Montreal

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Bank of Montreal Group of Companies

Founded in 1817, Bank of Montreal is Canada's first bank and one of the largest financial institutions in North America. It offers clients a broad range of financial services across Canada and in the United States, both directly and through Chicago-based subsidiary, Harris Bank.

With average assets of $235 billion and more than 33,000 employees, the Bank has diversified activities concentrated in retail banking, wealth management, and corporate and investment banking.

The Bank of Montreal Group of Companies is made up of three client groups:

Personal and Commercial Client Group (P&C) serves seven million personal and commercial accounts across Canada and the United States. The group offers a full range of products and services through 16,000 highly skilled financial service providers in more than 1,100 Bank of Montreal and Harris Bank branches, as well as directly through a number of electronic channels.

Private Client Group (PCG) brings together all of the Bank of Montreal Group of Companies' wealth management services. The group operates as Private Client Group in Canada and The Harris in the United States, offering clients a broad array of products and services including retail investment products, direct and full-service investing, private banking and institutional money management.

Investment Banking Group (IBG) operates under the BMO Nesbitt Burns and Harris Nesbitt brands. The group offers corporate, institutional and government clients complete financial services including capital-raising, investment and operating services as well as mergers and acquisitions advisory, debt and equity underwriting, institutional equity, securitization and export trade finance.

Management Analysis of Operations

This Management Analysis of Operations (MAO) provides a discussion and analysis of our operations for the years ended October 31, 2000 and 1999 and should be read in conjunction with the Supplemental Information on pages 70 to 83. The MAO is presented in the following eight sections:

Measures, Objectives and Targets
This section provides an overview of how we measure financial performance and condition, along with a discussion of our objectives and targets for 2000 and 2001.

Included within our discussion of measures, objectives and targets is our Financial Performance and Condition at a Glance, which reviews our performance for the year. This section also provides comparisons of the year's results to our Canadian peer group, which includes the six largest chartered banks in Canada, and our North American peer group, which consists of the twenty largest banks in North America.

Shareholder Returns
This section reviews the Bank's financial performance for 2000 and 1999 in terms of four of our primary measures: five-year total shareholder return, fully diluted earnings per share growth, return on common shareholders' equity and net economic profit growth. Primary measures are detailed on page 3.

Financial Statement Analysis
This section provides an analysis of our financial performance for 2000 and 1999 and focuses on the statement of income and the balance sheet. Also included is an analysis of our relative performance against two of our primary measures: revenue growth and the expense-to-revenue ratio. The analysis is based on our consolidated financial statements, which are presented on page 43 of this Annual Report.

Enterprise-Wide Strategic Management
This section provides an overview of our enterprise-wide strategic management function.

Enterprise-Wide Risk Management
This section provides an overview of our enterprise-wide risk management function and a discussion of our objective and approach to managing credit, market, liquidity and operational risks. Also included is an analysis of our relative performance against three of our primary measures: provision for credit losses as a percentage of average loans and acceptances, gross impaired loans and acceptances as a percentage of equity and allowance for credit losses, and cash and securities-to-total assets.

Enterprise-Wide Capital Management
This section provides an overview of our capital management function, including our objective, strategy and approach. Also included is an analysis of our relative performance against the Tier 1 Capital Ratio, one of our primary measures.

Review of Client Groups Performance
This section provides an overview of our client groups performance:

- Personal and Commercial Client Group
- Private Client Group
- Investment Banking Group
- Harris Bank
- Corporate Support

It provides an analysis of their objectives and accomplishments for 2000 and objectives for 2001. An analysis of the 2000 and 1999 financial results is also provided. A separate analysis of Harris Bank, whose results are included within the Personal and Commercial Client Group, the Private Client Group and the Investment Banking Group, is included.

Economic and Financial Services Developments
This section reviews Canadian and U.S. economic and financial services developments in 2000 and our economic and financial services outlook for 2001.

Index

Caution Regarding Forward-Looking Statements
This MAO includes forward-looking statements. These forward-looking statements include but are not limited to comments with respect to our objectives and strategies, financial condition, the results of our operations and our businesses, our outlook for the Canadian and U.S. economies and our risk and capital management.

However, by their nature these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this Annual Report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions, including, among other things, inflation and technological changes. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider the foregoing factors as well as other uncertainties and events.

Measures, Objectives and Targets

Financial Performance Objectives and Targets

The following diagram illustrates our vision and purpose, governing objective and financial performance and condition measures, which have evolved as part of our implementation of a Value Based Management framework over the past few years. Our governing objective is to maximize the value of our common shares and the total return to our shareholders over time by achieving top quartile total shareholder return relative to our Canadian and North American peer groups. In this regard, we have established objectives and targets for fully diluted earnings per share growth and return on common shareholders' equity. These two financial performance measures, which significantly influence share price performance, are instrumental in achieving our governing objective.

Vision and Purpose
To be the best North American financial institution

Governing Objective
To maximize the value of our common shares and total return to shareholders over time by achieving top quartile total shareholder return relative to our Canadian and North American peer groups

Financial Performance Measures

- Five-Year Total Shareholder Return
- Fully Diluted Earnings per Share Growth
- Return on Common Shareholders' Equity
- Net Economic Profit Growth
- Revenue Growth
- Expense-to-Revenue Ratio
- Provision for Credit Losses as a % of Average Loans and Acceptances

Financial Condition Measures

- Gross Impaired Loans and Acceptances as a % of Equity and Allowance for Credit Losses
- Cash and Securities-to-Total Assets
- Tier 1 Capital Ratio
- Credit Rating

Financial Performance Objectives

Fully Diluted Earnings per Share Growth (EPS growth)

Objective
- Grow EPS by minimum 10.0% per annum

Return on Common Shareholders' Equity (ROE)

Objective
- Increase ROE by 1.0 to 1.5 percentage points per annum to 19.0% to 20.0% by 2002

Financial Condition Objectives

Tier 1 Capital Ratio

Objective
- Maintain strong regulatory capital position consistent with our peers

Financial Performance Targets

EPS growth:

2000 Target
- To achieve minimum 10.0% EPS growth from a 1999 adjusted base of $5.14 (adjusted for the one-time charges incurred in 1999)

2000 Performance
- Achieved EPS growth of 27.6% from an adjusted base of $5.14

2001 Target
- To achieve 10.0% to 15.0% EPS growth (excluding the effects of non-recurring items)

ROE:

2000 Target
- To increase ROE by 1.0 to 1.5 percentage points over 1999 adjusted base ROE of 15.4% (adjusted for the one-time charges incurred in 1999)

2000 Performance
- Increased ROE by 2.6 percentage points to 18.0%

2001 Target
- To increase ROE (excluding the effects of non-recurring items) to 17.0% to 17.5%

Supporting targets excluding the effects of non-recurring items are:
- Revenue growth of 7.0% to 9.0%
- An expense-to-revenue ratio consistent with the 2000 ratio
- A provision for credit losses consistent with the 2000 ratio
- A tax rate (taxable equivalent basis[1]) averaging approximately 37.0%

Financial Condition Targets

2000 Target
- To maintain a Tier 1 Capital Ratio of at least 8.0%

2000 Performance
- Achieved a Tier 1 Capital Ratio of 8.83%

2001 Target
- To maintain a Tier 1 Capital Ratio of at least 8.0%
- To achieve a cash and securities-to-total assets ratio consistent with the 2000 ratio

Supporting targets are:
- Modest growth in risk-weighted assets

Non-Recurring Items

For years 1996 through 2000, the Bank's results of operations included a number of non-recurring items. Non-recurring items are generally infrequent, material and quantifiable. These items are unusual in that they are not considered to be part of the ongoing operations of the Bank and are not expected to recur in the near future. Throughout this MAO, we have calculated our performance against our primary financial performance and condition measures both including and excluding these non-recurring items. Our analysis of each financial performance and condition measure focuses primarily on our results excluding these non-recurring items. All non-recurring items are described in detail in Table 19 of the Supplemental Information on page 82.

[1] Defined in the glossary on page 88.

Financial Performance and Condition at a Glance

Our Financial Performance Measures

Shareholder Value

- The average annual total shareholder return (TSR) for the five years ended October 31, 2000 was 22.9%, compared with 22.0% for the five years ended October 31, 1999.
- The annual TSR was 29.0% for 2000, compared with negative 7.4% in 1999. The share price increased 24.4% from $56.65 at October 31, 1999 to $70.50 at October 31, 2000.
- Dividends paid increased $0.12 to $1.97 per share in 2000.

Earnings per Share Growth

- Fully diluted earnings per share (EPS) increased 39.0% to $6.56 from $4.72 in 1999 and increased 27.6% compared with our target of achieving a minimum of 10.0% EPS growth from a 1999 adjusted base of $5.14.
- Excluding non-recurring items*, EPS grew 16.0% to $5.88 and earnings grew 13.1%. This reflected business volume growth, partially offset by increased expenses and a higher provision for credit losses.
- On a cash basis, basic EPS increased 37.5% from $5.01 to $6.89.
- Excluding non-recurring items*, cash-based EPS increased 15.5% from $5.37 to $6.20.

Profitability

- The Bank achieved an 18.0% return on common shareholders' equity (ROE), compared with 14.1% for 1999.
- ROE increased 2.6 percentage points over the 1999 adjusted base of 15.4%, which exceeded our target to increase ROE by 1.0 to 1.5 percentage points.
- Excluding non-recurring items*, ROE was 16.1% in 2000, compared with 15.1% in 1999.
- On a cash basis, ROE increased from 14.8% in 1999 to 18.8%.
- Excluding non-recurring items*, cash-based ROE increased to 16.9% from 15.9% in 1999.

Net Economic Profit Growth

- Net economic profit (NEP) increased 90.0% from $401 million in 1999 to $763 million in 2000. The increase reflected a higher earnings growth rate, relative to the increase in average common shareholders' equity, partially offset by the effects of an increase in the charge for capital.

Revenue Growth

- Revenue increased 9.3% in 2000, compared with 9.0% growth in 1999.
- Excluding non-recurring items*, revenue growth was 6.1%, compared with 9.4% in 1999.
- Excluding non-recurring items*, revenue growth reflected a 15.8% increase in other income, partially offset by a 1.8% decline in net interest income.

Expense-to-Revenue Ratio

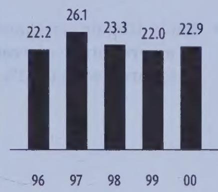
- The expense-to-revenue ratio was 60.7% in 2000, compared with 66.7% for 1999. Excluding non-recurring items*, the expense-to-revenue ratio was 62.8%, compared with 64.7% for 1999.
- Expenses decreased 0.6% from the prior year, compared with 10.5% growth in 1999. Excluding non-recurring items*, expenses grew 3.0%, compared with 7.6% in 1999. Expense growth was driven by increased business volumes, higher revenue-driven compensation and strategic initiatives spending, partially offset by cost reduction initiatives and the effects of business disposals.

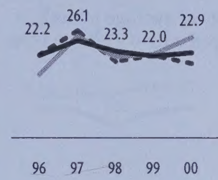
*Non-recurring items are detailed in Table 19 of the Supplemental Information on page 82.

Bank of Montreal Results | Peer Group Comparison

Five-Year Total Shareholder Return (%)

More information can be found on page 9.





Five-Year Total Shareholder Return (%)

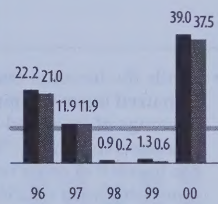
- Our five-year total shareholder return of 22.9% was below the Canadian peer group average of 27.0% but above the North American peer group average of 20.0%.

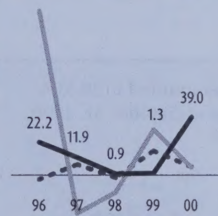
Fully Diluted Earnings per Share Growth, as reported (%)

Basic Earnings per Share Growth, cash basis (%)

Target (minimum 10% EPS growth from a 1999 adjusted base of $5.14)

More information can be found on page 10.





Fully Diluted Earnings per Share Growth (%)

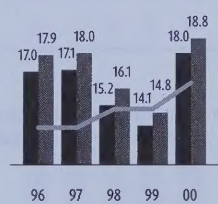
- Our EPS growth of 39.0% in 2000 was above the Canadian and North American peer group averages of 5.2% and 5.6%, respectively.
- Excluding non-recurring items*, our EPS growth of 16.0% was above the Canadian and North American peer group averages of 14.4% and 7.8%, respectively.

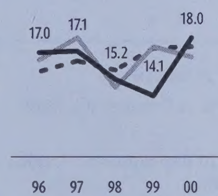
Return on Common Shareholders' Equity, as reported (%)

Return on Common Shareholders' Equity, cash basis (%)

Target (1996/1997 – 14%–15%, 1998/1999 – 15%–17%, 2000 – 16.4%–16.9%)

More information can be found on page 11.



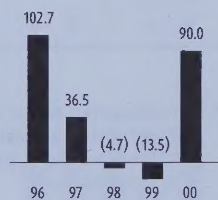


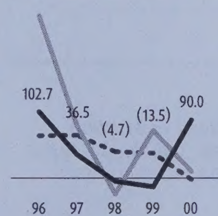
Return on Common Shareholders' Equity (%)

- Our ROE of 18.0% in 2000 was above the Canadian and North American peer group averages of 16.7% and 17.4%, respectively.
- Excluding non-recurring items*, our ROE of 16.1% was below the Canadian and North American peer group averages of 16.2% and 19.1%, respectively.

Net Economic Profit Growth (%)

More information can be found on page 11.



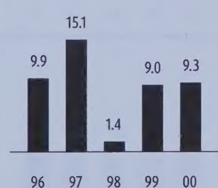


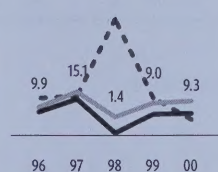
Net Economic Profit Growth (%)

- Our net economic profit growth of 90.0% in 2000 was above the Canadian and North American peer group averages of 10.4% and (1.9)%, respectively.

Revenue Growth (%)

More information can be found on page 12.



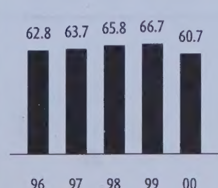


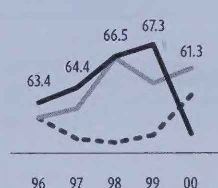
Revenue Growth (%)

- Our revenue growth of 9.3% in 2000 was below the Canadian peer group average of 14.3% but above the North American peer group average of 6.9%.
- Excluding non-recurring items*, our revenue growth of 6.1% was below the Canadian and North American peer group averages of 16.6% and 7.5%, respectively.

Expense-to-Revenue Ratio (%)

More information can be found on page 15.





Expense-to-Revenue Ratio (%)

- Our expense-to-revenue ratio of 61.3%, which includes the amortization of goodwill, was better than the Canadian and North American peer group averages of 65.7% and 63.9%, respectively.
- Excluding non-recurring items*, our expense-to-revenue ratio of 63.5% was better than the Canadian peer group average of 66.4% but worse than the North American peer group average of 61.1%.

Bank of Montreal
Canadian Peer Group Average
North American Peer Group Average

*Non-recurring items are detailed in Table 19 of the Supplemental Information on page 82.

Credit Risk

- Provision for credit losses as a percentage of average loans and acceptances was 0.25% for 2000, compared with 0.22% for 1999.
- Excluding non-recurring items*, the provision for credit losses as a percentage of average loans and acceptances was 0.28%, compared with 0.22% for 1999.

Our Financial Condition Measures

- Gross impaired loans and acceptances amounted to 10.51% of equity and allowance for credit losses at October 31, 2000, compared with 8.53% at the end of 1999.
- While the increase continues an adverse trend, the level of impaired loans remains within acceptable parameters and coverage of impaired loans by the allowance for credit losses has been sustained. The allowance for credit losses exceeds the balance of gross impaired loans by $96 million at year-end, compared with a $256 million excess in 1999.

Cash and Securities-to-Total Assets

- The liquidity ratio decreased from 29.2% at October 31, 1999 to 27.8% at October 31, 2000.
- The decrease was the result of declines in deposits with banks, partially offset by growth in trading securities.
- Liquidity remains strong, supported by broad diversification of deposit levels and stability in core deposits.

Capital Adequacy

- The Tier 1 Capital Ratio was 8.83% at October 31, 2000, compared with 7.72% at October 31, 1999. The Total Capital Ratio was 11.97% in 2000, compared with 10.77% in 1999.
- The improved ratios reflect retained earnings growth and reduction in risk-weighted asset levels due to balance sheet management, partially offset by the effect of common share buy-backs.

Credit Rating

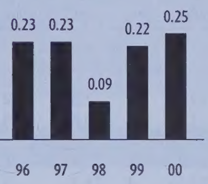
- The composite credit rating remained unchanged.

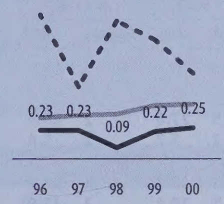
*Non-recurring items are detailed in Table 19 of the Supplemental Information on page 82.

	Bank of Montreal Results	Peer Group Comparison	

■ Provision for Credit Losses as a % of Average Loans and Acceptances

More information can be found on page 22.



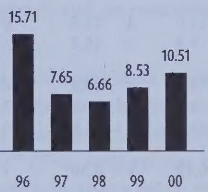


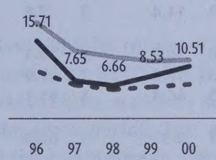
Provision for Credit Losses as a % of Average Loans and Acceptances

- Our performance of 0.25% was better than the Canadian and North American peer group averages of 0.44% and 0.69%, respectively.
- Excluding non-recurring items*, our performance of 0.28% was better than the Canadian and North American peer group averages of 0.39% and 0.68%, respectively.

■ Gross Impaired Loans and Acceptances as a % of Equity and Allowance for Credit Losses

More information can be found on page 22.



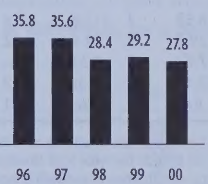


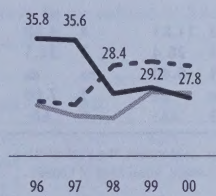
Gross Impaired Loans and Acceptances as a % of Equity and Allowance for Credit Losses

- Our performance of 10.51% was above the Canadian peer group average of 11.81%, but below the North American peer group average of 6.88%.

■ Cash and Securities-to-Total Assets (%)

More information can be found on page 26.





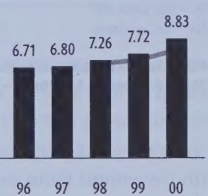
Cash and Securities-to-Total Assets (%)

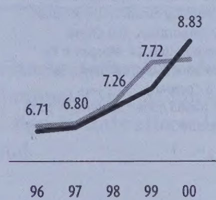
- Our liquidity ratio of 27.8% was below the Canadian and North American peer group averages of 28.4% and 32.1%, respectively.

■ Tier 1 Capital Ratio (%)

Target (1998 – 7%, 1999 – 7.25%, 2000 – 8.0%)

More information can be found on page 28.



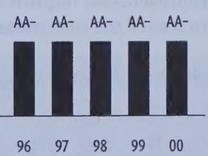


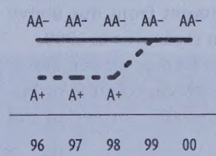
Tier 1 Capital Ratio (%)

- Our Tier 1 Capital Ratio of 8.83% was above the Canadian peer group average of 8.40%.
- On a U.S. basis, our Tier 1 Capital Ratio of 8.47% was above the North American peer group average of 7.68%.

■ Credit Rating

The credit rating represents a composite of Moody's and Standard & Poor's debt ratings.





Credit Rating

- Our credit rating was comparable with both the Canadian and North American peer groups.

Legend:
- Bank of Montreal
- Canadian Peer Group Average
- North American Peer Group Average

*Non-recurring items are detailed in Table 19 of the Supplemental Information on page 82.

Canadian and North American Peer Group Comparison

	2000					1999 (a)					Five-Year Average				
		Canadian 6 Bank		North American 20 Bank			Canadian 6 Bank		North American '20 Bank			Canadian 6 Bank		North American 20 Bank	
	Bank of Montreal	Rank	Avg.*	Quartile	Avg.†	Bank of Montreal	Rank	Avg.*	Quartile	Avg.†	Bank of Montreal	Rank	Avg.*	Quartile	Avg.†
Primary Financial Performance Measures (%)															
As reported:															
Five-year total shareholder return	**22.9**	**5**	**27.0**	**2**	**20.0**	22.0	3	22.5	2	22.2	**22.9**(b)	**5**	**27.0**(b)	**2**	**20.0**(b)
Fully diluted earnings per share growth	**39.0**	**2**	**5.2**	**2**	**5.6**	1.3	4	30.6	3	16.4	**15.0**	**6**	**21.8**	**2**	**4.9**
Return on common shareholders' equity	**18.0**	**3**	**16.7**	**3**	**17.4**	14.1	5	17.4	4	17.3	**16.3**	**4**	**16.7**	**3**	**16.5**
Net economic profit growth	**90.0**	**2**	**10.4**	**2**	**(1.9)**	(13.5)	4	74.1	3	38.8	**42.2**	**5**	**78.5**	**4**	**42.1**
Revenue growth	**9.3**	**6**	**14.3**	**3**	**6.9**	9.0	3	13.5	3	15.6	**9.0**	**6**	**13.1**	**4**	**20.3**
Expense-to-revenue ratio (c)	**61.3**	**2**	**65.7**	**3**	**63.9**	67.3	5	64.7	4	61.2	**64.6**	**4**	**64.4**	**4**	**61.8**
Provision for credit losses as a % of average loans and acceptances	**0.25**	**1**	**0.44**	**1**	**0.69**	0.22	2	0.43	1	0.96	**0.21**	**1**	**0.38**	**1**	**0.90**
Excluding non-recurring items (e):															
Five-year total shareholder return	**22.9**	**5**	**27.0**	**2**	**20.0**	22.0	3	22.5	2	22.2	**22.9**(b)	**5**	**27.0**(b)	**2**	**20.0**(b)
Fully diluted earnings per share growth	**16.0**	**3**	**14.4**	**2**	**7.8**	8.8	3	10.2	3	14.8	**NA**	**NA**	**NA**	**NA**	**NA**
Return on common shareholders' equity	**16.1**	**4**	**16.2**	**4**	**19.1**	15.1	4	15.5	4	18.7	**NA**	**NA**	**NA**	**NA**	**NA**
Revenue growth	**6.1**	**6**	**16.6**	**3**	**7.5**	9.4	3	10.1	3	15.3	**NA**	**NA**	**NA**	**NA**	**NA**
Expense-to-revenue ratio (c)	**63.5**	**3**	**66.4**	**3**	**61.1**	65.3	5	65.8	4	58.6	**NA**	**NA**	**NA**	**NA**	**NA**
Provision for credit losses as a % of average loans and acceptances	**0.28**	**1**	**0.39**	**1**	**0.68**	0.22	2	0.30	1	0.93	**NA**	**NA**	**NA**	**NA**	**NA**
Primary Financial Condition Measures (%)															
Gross impaired loans and acceptances as a % of equity and allowance for credit losses	**10.51**	**3**	**11.81**	**4**	**6.88**	8.53	2	11.56	4	6.34	**10.51**(d)	**3**	**11.81**(d)	**4**	**6.88**
Cash and securities-to-total assets	**27.8**	**4**	**28.4**	**2**	**32.1**	29.2	3	28.6	2	32.7	**27.8**(d)	**4**	**28.4**(d)	**2**	**32.1**
Tier 1 Capital Ratio	**8.83**	**1**	**8.40**	**na**	**na**	7.72	5	8.33	na	na	**8.83**(d)	**1**	**8.40**(d)	**na**	**na**
Tier 1 Capital Ratio – U.S. basis	**8.47**	**na**	**na**	**1**	**7.68**	7.42	na	na	3	8.10	**8.47**	**na**	**na**	**1**	**7.68**
Credit rating	**AA–**	**2**	**AA–**	**1**	**AA–**	AA–	2	AA–	1	AA–	**AA–**(d)	**2**	**AA–**(d)	**2**	**AA–**

*The six banks used to calculate the Canadian average were: Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and The Toronto Dominion Bank.

†The selection of the 20 largest North American banks is based on the size of their 1999 common shareholders' equity: Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto Dominion Bank, Firststar Financial Corporation, BankAmerica Corporation, Bank One Corporation, National City Corporation, The Chase Manhattan Corporation, Citigroup, Inc., FleetBoston Financial Corporation, J.P. Morgan & Co. Incorporated, Keycorp Incorporated, US Bancorp, PNC Bank Corporation, SunTrust Banks, Inc., First Union Corporation, Wachovia Corporation, and Wells Fargo & Company.

Performance for U.S. banks was based on the twelve-month period ended September 30 to approximate the Canadian banks' fiscal year which ended on October 31.

(a) Reclassified to conform with the current year presentation.
(b) Reflects five-year total shareholder return for the period ended October 31, 2000.
(c) Amortization of goodwill is included in non-interest expense for all banks.
(d) Condition ratios are as at October 31, 2000.
(e) Non-recurring items are identified as non-recurring by the respective banks.
na – Not applicable
NA – Not available

Rating for North American peer group: from 1 to 5 – Quartile 1; 6 to 10 – Quartile 2; 11 to 15 – Quartile 3; 16 to 20 – Quartile 4.

2000 Comparison

Canadian Peer Group

Our performance in 2000 relative to the Canadian peer group was above average in five of seven financial performance measures, which represents an improvement from our above average performance in one of these seven measures in 1999.

Excluding non-recurring items, our performance was above average in three of the six measures, which represents an improvement from our above average performance in two of the six measures in 1999.

In the financial condition measures, our performance was average or above average in three of the four measures, consistent with the prior year.

North American Peer Group

Our performance in 2000 relative to the North American peer group was above average in all seven financial performance measures, which represents an improvement from our above average performance in one of these seven measures in 1999.

Excluding non-recurring items, our performance was above average in three of the six measures, which represents an improvement from our above average performance in one of the six measures in 1999.

In the financial condition measures, our performance was average or above average in two of the four measures, which represents an improvement from our above average performance in one of the four measures in 1999.

Five-Year Average Comparison

Canadian Peer Group

Our five-year average performance relative to the Canadian peer group was below average in six of the seven financial performance measures, unchanged from the prior year.

North American Peer Group

Our five-year average performance relative to the North American peer group was above average in four of the seven financial performance measures, which represents an improvement from our above average performance in three of the seven measures in 1999.

Shareholder Returns

Highlights

- Our shareholders received a five-year average annual total return of 22.9%, compared with 22.0% in 1999
- Fully diluted earnings per share increased 39.0% from $4.72 in 1999 to $6.56 in 2000
- Achieved 18.0% return on common shareholders' equity in 2000, compared with 14.1% in 1999
- Met our financial targets for fully diluted earnings per share growth and return on common shareholders' equity
- Progressed towards our objective of achieving top-tier performance by 2002

Shareholder Value

Five-year average annual total shareholder return of 22.9%

Five-year average annual total shareholder return (TSR[1]) is the most important of our eleven financial performance and condition measures, and is considered to be the best external measure of shareholder value. During the year, we continued to focus on maximizing shareholder value using our Value Based Management framework and on executing our growth strategy.

Performance Review

Over the past five years, our shareholders have earned an average annual total return of 22.9% on their investment in Bank of Montreal common shares, compared with 22.0% for the five years ended October 31, 1999. This return exceeded the 18.6% market return, which is defined as the average TSE 300 Composite Index®5 (TSE 300) return for the same period. Our above-market return reflects a $40.75 appreciation in share price since the beginning of 1996, and total dividends paid on common shares of $8.59 over the period. An investment of $1,000 in Bank of Montreal common shares at the beginning of 1996 would have been valued at $2,807 at October 31, 2000, assuming reinvestment of dividends, for a return of $1,807.

Total Shareholder Return

For the year ended October 31	2000	1999	1998	1997	1996
Closing market price per common share ($)	**70.50**	56.65	63.10	60.85	40.55
Dividends paid ($ per share)	**1.97**	1.85	1.76	1.60	1.41
Dividend yield (%) (a)	**3.5**	2.9	2.9	3.9	4.7
Five-year TSR (%)	**22.9**	22.0	23.3	26.1	22.2
Annual TSR (%)	**29.0**	(7.4)	6.4	55.0	42.4

(a) Dividends paid in the year divided by the opening share price

During 2000, our shareholders earned a 29.0% return on their investment in Bank of Montreal common shares, compared with negative 7.4% in 1999. The 29.0% annual TSR was lower than the annual TSE 300 return of 34.4%. The TSE 300 performance was significantly affected by the return of a single issuer, whose share price rose 52.6% over the period.

1999 Compared with 1998

For the five years ended October 31, 1999, Bank of Montreal shareholders earned an average annual return of 22.0% on their common shares, substantially above the average annual TSE 300 return of 13.2%. The annual return to shareholders for 1999 was negative 7.4%, which fell below the market return of 18.7%.

Effective November 1, 2000, we have implemented a major realignment of our businesses which focuses primarily on the Personal and Commercial Client Group (P&C). This realignment supports the next phase of our growth strategy, namely the shift of our business mix to higher-growth, higher-return businesses. With this realignment, four new banking divisions focused on customer service have been established, as follows:

- A Service Delivery division to bring together all P&C businesses involved in branch and electronic distribution in Canada.
- A Small Business Banking division to ensure increased focus on small and medium-sized businesses.
- A Commercial Banking division to serve enterprises with annual revenues of $100 million to $300 million.
- A Personal Banking Products division to bring together all P&C businesses involved in product development and marketing for personal banking customers in Canada.

This realignment will ensure increased focus on small and medium-sized businesses, target upper-end mid-market commercial business and provide electronic and other financial services directed at personal banking customers in Canada. In addition, we moved most of our e-business into Emfisys, our technology and operations business. We had previously made significant organizational changes in the Private Client and Investment Banking Groups.

Measure

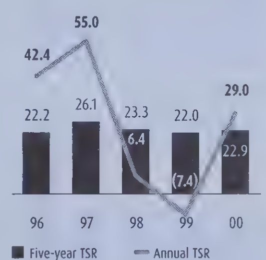
Our primary measure of shareholder value is the average annual **five-year total shareholder return (TSR)**, which is an indicator of increasing shareholder value.

Five-year TSR is calculated as the average annual total return earned on an investment in Bank of Montreal common shares made at the beginning of a five-year period. Total return includes the change in share price and the reinvestment of dividends received in additional Bank of Montreal common shares. Total shareholder return is equivalent to return on common shareholders' investment.

Objective

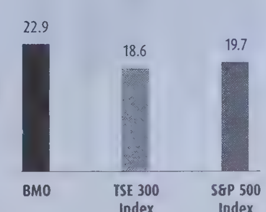
To achieve top quartile TSR relative to our Canadian and North American peer groups.

Total Shareholder Return (%)



Closing Price per Common Share ($)

Five-Year Total Shareholder Return (%)



[1] Defined in the glossary on page 88.

Measure

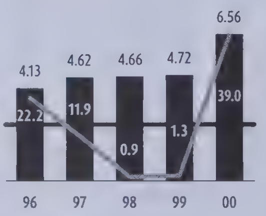
Year-over-year percentage change in fully diluted earnings per share (EPS) is our primary measure for analyzing earnings growth.

It is calculated by dividing the earnings available to common shareholders by the daily average number of fully paid common shares outstanding throughout the year, as further described in note 16 to the consolidated financial statements. Fully diluted common shares represent the common shares that would have been outstanding assuming conversion at the beginning of the year, or at the date of issuance, of all securities that are convertible into or redeemable for common shares.

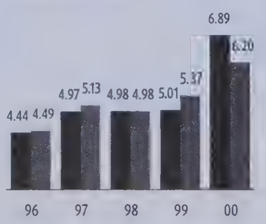
Target

Our 2000 target was to achieve minimum 10.0% EPS growth from a 1999 adjusted base of $5.14 (adjusted for the one-time charges incurred in 1999).

Fully Diluted EPS and Annual Growth



Cash-Based Earnings Per Share (Basic) ($)



Earnings per Share Growth

Eleven years of growth in Earnings per Share

Performance Review

In 2000, our fully diluted earnings per share (EPS) was $6.56, an increase of 39.0% from $4.72 in 1999. This was an increase of 27.6% compared with our target (see adjacent target section) of achieving a minimum of 10.0% EPS growth from a 1999 adjusted base of $5.14, and marks our eleventh consecutive year of EPS growth. Excluding non-recurring items, as described in Table 19 on page 82, EPS was $5.88, an increase of 16.0% from $5.07 in 1999.

Year-over-year growth in net income was 34.4%, compared with 2.4% in 1999. Excluding non-recurring items, net income growth was 13.1%, compared with 9.5% in 1999.

Earnings Growth

For the year ended October 31	**2000**	1999	1998	1997	1996
As reported:					
Net income ($ millions)	**1,857**	1,382	1,350	1,305	1,168
Year-over-year growth (%)	**34.4**	2.4	3.5	11.7	18.4
Fully diluted earnings per share ($)	**6.56**	4.72	4.66	4.62	4.13
Year-over-year growth (%)	**39.0**	1.3	0.9	11.9	22.2
Basic earnings per share, cash ($)	**6.89**	5.01	4.98	4.97	4.44
Year-over-year growth (%)	**37.5**	0.6	0.2	11.9	21.0
Excluding non-recurring items:					
Net income ($ millions)	**1,672**	1,477	1,350	1,348	1,182
Year-over-year growth (%)	**13.1**	9.5	0.2	14.1	15.8
Fully diluted earnings per share ($)	**5.88**	5.07	4.66	4.78	4.18
Year-over-year growth (%)	**16.0**	8.8	(2.5)	14.4	20.5
Basic earnings per share, cash ($)	**6.20**	5.37	4.98	5.13	4.49
Year-over-year growth (%)	**15.5**	7.8	(2.9)	14.3	18.2

Revenues excluding non-recurring items, on a tax-equivalent basis (TEB[1]), increased $482 million or 6.1% in 2000 to $8,438 million from $7,956 million in 1999. Revenue growth resulted from a 15.8% increase in other income, partially offset by a 1.8% decline in net interest income, as discussed on page 12.

The provision for credit losses[1] excluding non-recurring items rose to $400 million in 2000, an increase of $80 million from $320 million in 1999. The provision is based on a methodology used for a number of years and is based on statistical analysis and management judgement, and represents the appropriate expense based upon the composition of our credit portfolios, their probability of default, the economic environment and the allowance for credit losses already established. The provision included specific provisions of $290 million and a general provision of $110 million, bringing the total general allowance reflected on the balance sheet to $1,080 million. Further information on credit risk can be found on page 21.

Expenses excluding non-recurring items grew 3.0% in 2000, driven by ongoing business volumes, higher revenue-driven compensation and strategic initiatives spending, partially offset by cost reduction initiatives, the effect of business dispositions during the year and the impact of an additional month of results of BMO Nesbitt Burns®[3] in 1999 as a result of the change in its year-end. Further information on expense growth can be found on page 15.

Basic Cash Basis Reporting

Basic cash-based earnings per share, our secondary measure for analyzing earnings growth, adjusts for the impact of differences between accounting principles in Canada and the United States for the treatment of business combinations and enhances the comparability of our results with those of our North American peer group. It adjusts net income by adding back amortization of goodwill and intangible assets. Cash-based earnings per share of $6.89 increased 37.5% from $5.01 in 1999. Excluding non-recurring items, cash-based earnings per share of $6.20 increased 15.5% from $5.37 in 1999.

1999 Compared with 1998

Fully diluted EPS increased 1.3% from $4.66 in 1998 to $4.72 in 1999, which fell below our financial target of minimum 10.0% EPS growth. Excluding non-recurring items, fully diluted EPS increased 8.8% from $4.66 in 1998 to $5.07 in 1999.

[1]Defined in the glossary on page 88.

Profitability

Eleven years of ROE above 14.0%

Performance Review

The Bank achieved an 18.0% return on common shareholders' equity (ROE[1]) in 2000, compared with 14.1% in 1999; this marks the eleventh consecutive year that our ROE exceeded 14.0%. At 18.0%, ROE increased 2.6 percentage points over the 1999 adjusted base of 15.4%, which met our target (see adjacent target section) to increase ROE by 1.0 to 1.5 percentage points. Excluding non-recurring items, our ROE was 16.1% in 2000, compared with 15.1% in 1999.

Additional information on earnings growth and our enterprise-wide capital management process can be found on pages 10 and 28, respectively.

Return on Common Shareholders' Equity (%)

For the year ended October 31	**2000**	1999	1998	1997	1996
Return on common shareholders' equity, as reported	**18.0**	14.1	15.2	17.1	17.0
Return on common shareholders' equity, excluding non-recurring items	**16.1**	15.1	15.2	17.7	17.2

Cash Basis Reporting

Our secondary measure of profitability is cash-based ROE. It adjusts net income by adding back amortization of goodwill and intangible assets. Equity is not adjusted to exclude goodwill and intangible assets. On a cash basis, ROE increased 4.0 percentage points to 18.8% from 14.8% in 1999. Excluding non-recurring items, cash-based ROE increased 1.0 percentage point to 16.9% from 15.9% in 1999.

1999 Compared with 1998

In 1999, our ROE was 14.1%, compared with 15.2% in 1998, reflecting lower growth in earnings, which was negatively affected by non-recurring items, relative to the increase in common shareholders' equity. Excluding non-recurring items, our ROE was 15.1% in 1999, compared with 15.2% in 1998.

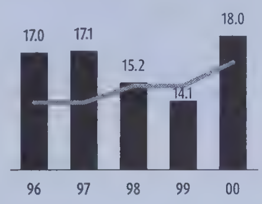
Measure

Return on common shareholders' equity (ROE) is calculated as net income, less preferred dividends, as a percentage of average common shareholders' equity. Common shareholders' equity is comprised of common share capital and retained earnings.

Target

Our 2000 target was to increase ROE by 1.0 to 1.5 percentage points above 1999 adjusted base ROE of 15.4% (adjusted for the one-time charges incurred in 1999).

Return on Common Shareholders' Equity (%)



Net Economic Profit Growth

Net Economic Profit Growth of 90.0%

Performance Review

Net economic profit (NEP[1]) earned in 2000 increased 90.0% from $401 million in 1999 to $763 million in 2000. The increase in NEP reflected a higher earnings growth rate, relative to the increase in average common shareholders' equity, partially offset by the effect of the increase in the 10-year Government of Canada Bond rate on cost of capital.

Net Economic Profit ($ millions unless otherwise stated)

For the year ended October 31	**2000**	1999	1998	1997	1996
Net income available to common shareholders	**1,756**	1,265	1,238	1,222	1,099
After-tax impact of non-cash goodwill and other valuation intangible expenses	**74**	67	69	71	60
Cash net income available to common shareholders	**1,830**	1,332	1,307	1,293	1,159
Less: charge for capital	**1,067**	931	843	806	802
Net economic profit, as reported	**763**	401	464	487	357
Net economic profit growth (%)	**90.0**	(13.5)	(4.7)	36.5	102.7
Charge for capital					
Average common shareholders' equity	**9,745**	8,976	8,128	7,165	6,457
Cost of capital (%)	**11.0**	10.4	10.4	11.3	12.4
Charge for capital	**1,067**	931	843	806	802

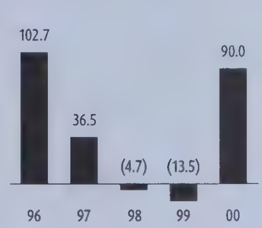
1999 Compared with 1998

NEP decreased $63 million or 13.5% from $464 million in 1998 to $401 million in 1999. The decline reflected a lower earnings growth rate relative to the increase in average common shareholders' equity in 1999. The earnings growth rate was adversely affected by non-recurring items.

Measure

Net economic profit (NEP) growth is defined as the percentage change in total year-over-year NEP. NEP is cash net income available to common shareholders, less a charge for capital, subject to certain adjustments. NEP is an effective measure of cash-based economic value added.

Net Economic Profit Growth (%)
(As reported)



[1] Defined in the glossary on page 88.

Financial Statement Analysis

This section provides an analysis of our financial performance for 2000 and 1999 and focuses on the statement of income and the balance sheet. The analysis is based on our consolidated financial statements, which are presented on page 43.

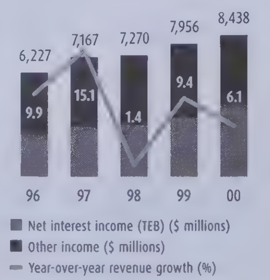
Statement of Income

Highlights

- Revenue growth from normal operations was 8.1%, as the extra month's results from BMO Nesbitt Burns in 1999 and the lower contribution from Bancomer reduced reported revenue growth in 2000 by 2.0%
- Revenue growth excluding non-recurring items resulted from a combination of a decline in net interest income of 1.8% and an increase in other income of 15.8%
- Reduced net interest income was due to lower trading revenues and the lower contribution from Bancomer, partially offset by improved business volumes
- Other income increased driven by improved business volumes
- Managed expense growth excluding non-recurring items to 3.0% in 2000, compared with 7.6% growth in 1999. Growth includes $263 million in cost reduction initiatives which is expected to produce $403 million in cost savings in 2001

Measure
Revenue growth is defined as the percentage change in year-over-year total revenue on a taxable equivalent basis (TEB). Total revenue consists of net interest income and other income.

Revenue and Annual Growth
(excluding non-recurring items)



Revenue Growth

Volumes continue to drive revenue growth, partially offset by lower spreads

Performance Review

Total revenue increased 9.3% in 2000 to $8,664 million from $7,928 million in 1999, compared with 9.0% growth in 1999. Excluding non-recurring items, total revenue increased 6.1% in 2000 to $8,438 million from $7,956 million in 1999. Revenues from normal operations increased 8.1% as the additional month's results from BMO Nesbitt Burns in 1999 and a lower contribution from Bancomer reduced reported revenue growth in 2000 by 2.0%. The increase of 6.1% in total revenue resulted from a $561 million (15.8%) increase in other income, partially offset by a $79 million (1.8%) decline in net interest income.

Total Revenue (excluding non-recurring items) ($ millions)

For the year ended October 31	2000	1999	1998	1997	1996
Net interest income (TEB)	**4,338**	4,417	4,152	4,186	3,711
Year-over-year growth (%)	**(1.8)**	6.4	(0.8)	12.8	4.1
Other income	**4,100**	3,539	3,118	2,981	2,516
Year-over-year growth (%)	**15.8**	13.5	4.6	18.5	19.7
Total revenue	**8,438**	7,956	7,270	7,167	6,227
Year-over-year growth (%)	**6.1**	9.4	1.4	15.1	9.9

Net Interest Income Declines 1.8%

Net interest income is comprised of earnings on assets, including interest and dividend income and the Bank's share of income on investments accounted for using the equity method of accounting, less interest expense paid on liabilities. It is the difference between what the Bank earns on assets such as loans and securities, and what it pays on liabilities such as deposits. Average net interest margin[1] is the ratio of net interest income to average assets.

Change in Net Interest Income, Average Assets and Average Net Interest Margin

	Net interest income (TEB) ($ millions)			Average assets ($ millions)			Average net interest margin (in basis points)		
For the year ended October 31	2000	1999*	% change	2000	1999*	% change	2000	1999*	Change
Personal and Commercial Client Group (P&C)									
P&C Canada	**2,600**	2,412	7.8	**83,490**	78,020	7.0	**311**	309	2
P&C Harris	**419**	393	6.6	**15,379**	15,004	2.5	**272**	262	10
P&C, excluding Bancomer	**3,019**	2,805	7.6	**98,869**	93,024	6.3	**305**	302	3
Bancomer	**64**	119	(46.4)	**796**	732	8.7	**800**	1,623	(823)
Total Personal and Commercial Client Group	**3,083**	2,924	5.4	**99,665**	93,756	6.3	**309**	312	(3)
Private Client Group	**504**	395	27.6	**4,115**	3,258	26.3	**1,225**	1,212	13
Investment Banking Group	**1,154**	1,369	(15.7)	**137,475**	134,473	2.2	**84**	102	(18)
Corporate Support	**(403)**	(271)	(48.1)	**(6,311)**	(4,773)	(32.2)	**637**	569	68
Total Bank	**4,338**	4,417	(1.8)	**234,944**	226,714	3.6	**185**	195	(10)

*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.

[1]Defined in the glossary on page 88.

Net interest income on a taxable equivalent basis decreased $79 million or 1.8%, from $4,417 million in 1999 to $4,338 million in 2000. Average assets grew $8,230 million from the prior year, while average net interest margin decreased 0.10% to 1.85%. In this section, we provide an analysis of net interest income at both the consolidated Bank and operating group levels.

At the consolidated Bank level, 3.4% of the 1.8% decline in net interest income was attributable to the lower contribution from the Bank's investment in Bancomer, lower trading and securitization revenues and the impact of an additional month of results of BMO Nesbitt Burns in 1999 as a result of the change in its year-end. These declines were partially offset by 1.6% growth in business volumes.

In the Personal and Commercial Client Group, increased net interest income was generated by volume growth, primarily from mortgages, consumer finance, commercial loans and commercial deposits in Canada and the United States, driven by successful strategic initiatives and a robust economy. Margins improved across most lines of business. Net interest income was negatively affected by the decrease in the contribution from the Bank's investment in Bancomer. The decrease resulted from our change, effective June 30, 2000, from equity to cost basis accounting, as a consequence of our reduced ownership interest due to Bancomer's merger with Financiero Probursa. Additionally, the reported earnings from Bancomer were reduced by the narrowing of spreads as interest rates in Mexico declined, as further discussed on page 33.

Within the Private Client Group, net interest income growth was generated by increased volumes in retail investment products. Volumes were also higher in direct investing and U.S. Private Banking, while overall margins increased somewhat.

Within the Investment Banking Group, the decrease in net interest income was due to a reduction in net interest margin in capital market businesses, resulting from the narrowing of spreads caused by higher interest rates and the flattening of the yield curve.

Effect of Securitizations

Securitizations[1] other than NHA-insured mortgages affect net interest income, other income and the provision for credit losses. In 2000, we securitized $1,875 million of NHA-insured mortgage loans that resulted in gains on sale that increased other income by $23 million. The impact of asset securitizations on our results is shown below:

For the year ended October 31 ($ millions)	2000	1999
Reduced net interest income	**(249)**	(234)
Increased other income	**234**	198
Reduced provision for credit losses	**46**	42
Net impact on income before provision for income taxes	**31**	6

Further details are provided in note 6 to the consolidated financial statements.

Contribution to Net Interest Income Growth (excluding non-recurring items) (%)

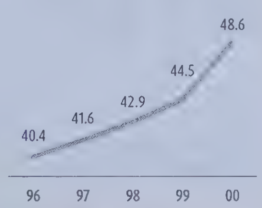
For the year ended October 31	2000	1999	1998
Business volumes, partially offset by lower spreads	**1.6**	6.5	(0.1)
Bancomer	**(1.2)**	2.2	(1.3)
Trading revenues	**(1.2)**	0.6	1.4
Securitizations	**(0.4)**	(2.6)	(2.7)
Currency translation effect	**(0.4)**	(0.5)	1.9
BMO Nesbitt Burns additional month	**(0.2)**	0.2	–
Total net interest income growth	**(1.8)**	6.4	(0.8)

Other Income Growth of 15.8% (excluding non-recurring items)

Other income which comprises all revenues other than net interest income, increased $815 million or 23.2% to $4,326 million in 2000. Excluding non-recurring items, other income increased $561 million or 15.8% to $4,100 million in 2000 and comprised 48.6% of total revenue, an increase from 44.5% in 1999.

Other income increased by 15.8% due to 17.5% growth in business volumes, 2.6% growth in trading revenues and 1.0% growth in securitization revenues. Other income was lowered by 2.5% due to reduced revenues from our interest in Partners First and the Bank's Corporate Trust unit which were divested during the year, and by a further 2.3% because of the additional month of results of BMO Nesbitt Burns in 1999.

Other Income as a % of Total Revenue
(excluding non-recurring items)



Contribution to Other Income Growth (excluding non-recurring items) (%)

For the year ended October 31	2000	1999	1998
Business volumes	**17.5**	(2.1)	8.8
Trading revenues	**2.6**	8.2	(7.9)
Securitizations	**1.0**	4.2	1.7
Currency translation effect	**(0.5)**	0.6	2.0
BMO Nesbitt Burns additional month	**(2.3)**	2.6	–
Foregone revenues from disposed businesses	**(2.5)**	–	–
Total other income growth	**15.8**	13.5	4.6

[1] Defined in the glossary on page 88.

*Excludes assets under administration related to Global Custody.

Components of Other Income (excluding non-recurring items) ($ millions)

For the year ended October 31	2000	1999	1998	1997	1996
Deposit and payment service charges	**646**	616	558	508	473
Lending fees	**322**	329	290	240	194
Capital market fees	**1,069**	841	869	919	760
Card services	**216**	205	196	251	234
Investment management and custodial fees	**373**	419	407	299	221
Mutual fund revenues	**232**	207	199	155	87
Trading revenues	**388**	295	40	276	277
Securitization revenues	**343**	296	158	32	–
Investment securities gains (losses)	**71**	(30)	97	52	71
Other fees and commissions	**440**	361	304	249	199
Total	**4,100**	3,539	3,118	2,981	2,516

Deposit and payment service charges rose $30 million to $646 million. These fees represent income earned on both retail and commercial deposit accounts, and other payment services. The increase reflects increased volumes and service initiatives.

Lending fees decreased $7 million to $322 million, reflecting a decline in loan underwriting activities in Global Distribution.

Capital market fees, which relate to investment banking and capital markets transactions, increased $228 million to $1,069 million in 2000. The increase reflects the impact of the more active markets during the year.

Card services increased $11 million as a result of increased volumes of credit and debit card transactions, primarily due to increased numbers of merchant devices.

Investment management and custodial fees declined $46 million due primarily to the impact of the sale of our U.S. trust businesses during the year and the sale of Global Custody in 1999.

Increased mutual fund revenues of $25 million resulted from an increase in mutual fund assets under management and administration in 2000 and a shift in asset mix to higher commission generating products.

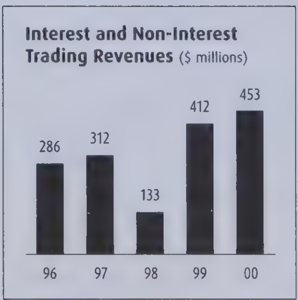
Increased securitization revenues of $47 million reflected $23 million of gains on securitization of NHA-insured mortgages this year and increased revenues from securitizations done in prior years. Increased securitization revenues, other than gains on securitizations of NHA-insured mortgages, offset a similar reduction in net interest income, as further described on page 13.

Investment securities gains increased $101 million to $71 million from a loss of $30 million in 1999, reflecting gains of $30 million realized on the sale of Mexican bonds, $36 million associated with the Bank's merchant banking operation and $31 million from venture capital activities.

Other fees and commissions increased $79 million to $440 million due primarily to increased revenues from insurance-related activities, foreign exchange fees, and fees from Harris Bank.

Trading Revenues

Total trading revenues include net interest income and other income earned from on- and off-balance sheet positions which are considered by management to be undertaken for trading purposes. This includes income (expense) and gains (losses) from both on-balance sheet instruments and off-balance sheet interest rate, foreign exchange (including spot positions), commodity and equity contracts.



Interest and Non-Interest Trading Revenues ($ millions)

For the year ended October 31	2000	1999	1998	1997	1996
Capital markets	**225**	279	94	191	NA
Equities	**165**	48	3	74	NA
Other	**63**	85	36	47	NA
Total	**453**	412	133	312	286
Reported as:					
Net interest income	**65**	117	93	36	9
Other income – trading revenues	**388**	295	40	276	277
Total	**453**	412	133	312	286

NA – Not available

Total revenues from trading-related activities increased $41 million from $412 million to $453 million. This growth reflects the active equity markets during the year, relative to the more typical conditions in 1999. Debt capital markets were less active in 2000 than in 1999.

In the third quarter of 2000, exposure to natural gas price volatility resulted in a pre-tax loss of $52 million ($30 million after-tax), which reduced trading revenues as further discussed in the enterprise-wide risk management section on page 24.

1999 Compared with 1998

During 1999, total revenue grew 9.0% from $7,270 million to $7,928 million. Excluding non-recurring items, revenue grew 9.4% to $7,956 million. This increase resulted from an increase in net interest income of 6.4% and growth in other income of 13.5%. The increase in net interest income reflected increased volumes in higher spread retail and commercial businesses, higher volumes and spreads in corporate lending, decreased volumes in lower spread securities and the increased contribution from our investment in Bancomer due to business growth and improved market conditions in Mexico. Revenue in 1999 was also positively affected by the inclusion of an additional month of results from BMO Nesbitt Burns as a result of its change in year-end, amounting to $89 million. The most significant contributor to growth in other income in 1999 was trading revenue, which reflected improved performance and a return to more normal capital market conditions relative to the abnormal trading conditions in the fourth quarter of 1998.

Outlook

We are targeting revenue growth of 7.0% to 9.0% in 2001.

Expense-to-Revenue Ratio

Performance Review

The expense-to-revenue ratio of 60.7% improved by 600 basis points from 66.7% in 1999. Excluding non-recurring items, the expense-to-revenue ratio of 62.8% improved by 190 basis points from 64.7% in 1999, as revenue growth of 6.1% was higher than expense growth of 3.0%.

Expense Growth of 3.0% (excluding non-recurring items)

Our secondary measure of productivity is year-over-year expense growth, which excluding non-recurring items was 3.0% in 2000, compared with 7.6% growth last year. The extra month of BMO Nesbitt Burns increased 1999 expenses by $72 million or by 1.5% from 1998. Expenses from normal operations in 2000 increased by $226 million or 4.5%.

Contribution to Expense Growth (excluding non-recurring items) (%)

For the year ended October 31	2000	1999	1998
Revenue-driven compensation	**4.4**	1.6	(0.9)
Currency translation effect	**0.5**	(0.4)	(1.9)
Disposed businesses	**(1.3)**	–	–
BMO Nesbitt Burns additional month	**(1.5)**	1.5	–
Ongoing business volume growth and strategic initiatives spending, partially offset by cost reduction initiatives	**0.9**	4.9	9.3
Total expense growth	**3.0**	7.6	6.5

The increase in expenses of 3.0% in 2000 is a lower rate of growth than we have experienced in recent years. This reflects control of our costs and our cost reduction initiatives for which we had set a target of $250 million for the year. During 2000, we realized $263 million, which is expected to produce $403 million in cost savings in 2001, mostly in centralized services and distribution.

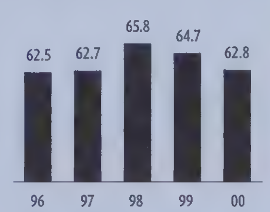
Outlook

We are targeting an expense-to-revenue ratio in 2001 consistent with the 2000 ratio.

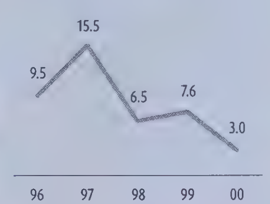
Measure

The **expense-to-revenue ratio** is our primary measure of productivity. It is calculated as non-interest expense divided by total revenues. The ratio is calculated on a taxable equivalent basis.

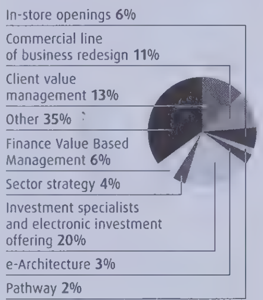
Expense-to-Revenue Ratio (%)
(excluding non-recurring items)



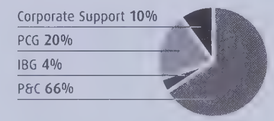
Expense Growth (%)
(excluding non-recurring items)



Strategic Initiatives



Strategic Initiatives by Operating Group



Employee Future Benefits

The Canadian Institute of Chartered Accountants has approved a new accounting standard for recording and disclosing pension and other future employee benefits. We must adopt this standard beginning in fiscal 2001. The standard permits the change to be accounted for either retroactively as a charge to opening retained earnings or prospectively through an annual charge to income over the remaining service life of the employee group.

We will adopt this new standard retroactively as a charge to opening retained earnings. The impact of adopting this new accounting standard on November 1, 2000 will be to increase our prepaid pension asset by $38 million, increase the employee future benefits related liability by $459 million and decrease opening retained earnings by $250 million (net of tax of $171 million). For the year ending October 31, 2001, salaries and employee benefits expense is expected to increase by $69 million ($41 million after-tax) annually as a result of this change in accounting. The Bank has sufficient capital to absorb the reduction to opening retained earnings relating to the adoption of this new accounting standard. Further details are provided in note 17 to the consolidated financial statements.

Strategic Initiatives

Expenses on new strategic initiatives in 2000 were $183 million and were directed at the following more significant initiatives.

Personal and Commercial Client Group (P&C)

- Client value management – business strategy to deepen our client relationships through a better understanding of what clients value and how best to provide it
- Commercial line of business redesign
  - Direct Bank – improving commercial client access through new telephone and web offerings
  - Face to face – enhancing employee tools and processes to improve efficiency and customer service
- In-store openings – extending our reach in key markets
- Pathway – extending deployment of a leading-edge technology platform
- e-Architecture – providing a common technology architecture for the Bank

Private Client Group (PCG)

- Investment specialists – increasing focus on client needs with enhanced capability
- Electronic investment offering – developing an integrated electronic offering for investment products

Investment Banking Group (IBG)

- Sector strategy – strong growth planned in Energy, Media and Telecom, and Mid-market

Corporate Support

- Finance Value Based Management – providing financial infrastructure to support the Bank's new multi-dimensional management framework

Restructuring Charge

In October 1999, the Bank recorded a charge of $141 million ($81 million after-tax) for exit costs associated with restructuring initiatives. The restructuring charge was determined in 1999 as part of a rigorous analysis of the Bank's 32 lines of business, and reflected costs associated with exiting activities that were not contributing to the Bank's shareholder value creation goals and realigning business activities to reposition the Bank. The charge was comprised of $106 million to eliminate 1,430 positions, $19 million to meet leasehold obligations and $16 million to write down fixed assets.

During the year we executed our restructuring initiatives. The cost of these initiatives was $43 million lower than expected due to the unanticipated sale of 37 branches during the year which reduced the number of branch closures required to realign the Bank's distribution system to 61, and higher than expected levels of attrition and redeployment within the Bank which reduced the number of employee positions terminated to 721. The expense reduction arising from these restructuring initiatives were more than offset by increased expenses in value-creating lines of business. Further details are provided in note 14 to the consolidated financial statements. Refer to Table 19 on page 82 of the Supplemental Information for non-recurring items.

Non-interest expense detailed by category of cost is presented in the table below.

Non-Interest Expense (excluding non-recurring items) ($ millions)

For the year ended October 31	**2000**	1999	1998	1997	1996
Salaries and employee benefits	**3,065**	2,820	2,574	2,535	2,210
Premises and equipment	**1,071**	1,123	972	866	727
Communications	**259**	268	266	246	219
Other expenses	**883**	915	949	817	716
Amortization of intangible assets	**23**	21	24	28	18
Total non-interest expense	**5,301**	5,147	4,785	4,492	3,890

Salaries and employee benefits increased to $3,065 million, compared with $2,820 million in 1999. Of the $245 million increase, $227 million related to increased levels of revenue-driven compensation resulting from more active capital markets during the year.

Premises and equipment expenses declined $52 million from $1,123 million to $1,071 million, reflecting the return to more normal expense levels as 1999 included upgrades in computer equipment due to the approach of the year 2000.

1999 Compared with 1998

The expense-to-revenue ratio in 1999 was 66.7%, as expense growth of 10.5% outpaced revenue growth of 9.0%. Excluding non-recurring items in 1999, expenses grew 7.6%, and the expense-to-revenue ratio was 64.7%, compared with 65.8% in 1998.

Provision for Income Taxes (excluding non-recurring items)

The effective tax rate on a taxable equivalent basis was 36.9% in 2000, compared with 37.6% in 1999. The decline was due to reduced rates for Canadian subsidiaries and United States operations.

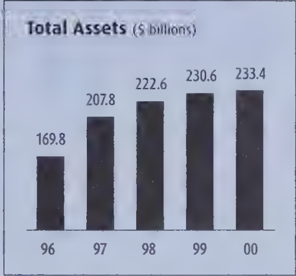
Balance Sheet

Highlights

- Managed growth in the balance sheet by controlling our risk-weighted assets, as further discussed on page 28

Balance Sheet Summary

As at October 31 ($ millions)	2000	1999	1998	1997	1996
Assets					
Cash resources	**18,508**	24,036	19,730	32,245	24,187
Securities	**46,463**	43,273	43,465	41,789	36,609
Loans (net)	**133,817**	138,001	129,691	114,918	98,413
Acceptances	**8,630**	6,753	6,944	5,594	4,397
Other assets	**25,978**	18,552	22,760	13,292	6,226
Total assets	**233,396**	230,615	222,590	207,838	169,832
Liabilities and Shareholders' Equity					
Deposits	**156,697**	156,874	143,983	144,212	119,262
Other liabilities	**59,847**	58,048	63,208	50,892	39,670
Subordinated debt	**4,911**	4,712	4,791	3,831	3,314
Share capital – Preferred	**1,681**	1,668	1,958	1,274	857
Common	**3,173**	3,190	3,095	3,019	2,989
Retained earnings	**7,087**	6,123	5,555	4,610	3,740
Total liabilities and shareholders' equity	**233,396**	230,615	222,590	207,838	169,832



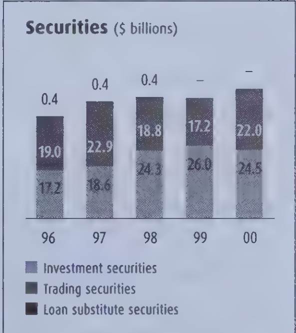
Total assets increased $2,781 million during the year to $233,396 million at October 31, 2000. The increase was primarily due to increases of $3,190 million in securities and $7,426 million in other assets, and was partially offset by declines of $5,528 million in cash resources and $4,184 million in net loans. The increase in other assets was due primarily to accounts receivable and amounts receivable under derivative contracts.

Liabilities were $221,455 million, an increase of $1,821 million from 1999. The increase in liabilities primarily reflected the increase of $1,799 million in other liabilities, which includes $350 million in BMO Capital Trust Securities issued during the year, that qualifies as Tier 1 capital for regulatory purposes.

Securities

Securities ($ millions)

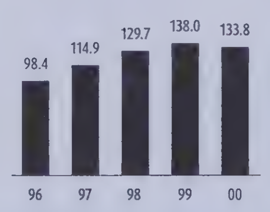
As at October 31	2000	1999	1998	1997	1996
Investment securities	**24,469**	26,027	24,313	18,569	17,185
Trading securities	**21,994**	17,246	18,791	22,857	19,044
Loan substitute securities	**–**	–	361	363	380
Total	**46,463**	43,273	43,465	41,789	36,609



Securities as at October 31, 2000 were $46,463 million, an increase of $3,190 million from 1999. Investment securities which are recorded at amortized cost decreased $1,558 million from $26,027 million in 1999 to $24,469 million in 2000.

The excess of market value over book value of the Bank's investment securities portfolio was $185 million at October 31, 2000, compared with a book over market value excess of $538 million at October 31, 1999. The difference between market value and book value in 2000 related to unrealized gains on the Bank's investments in Bancomer and 724 Solutions Inc. of $277 million and $134 million, respectively, partially offset by unrealized losses on government debt and other securities of $226 million. The $277 million unrealized gain on the investment in Bancomer does not include a deferred currency translation loss of $96 million, which is included in retained earnings. The difference in 1999 related to unrealized losses on government debt and other securities and on the Bank's investment in Bancomer of $330 million and $226 million, respectively, partially offset by unrealized gains in securities of designated lesser-developed countries of $18 million. The investment securities portfolio, which is used primarily to hedge core deposits, has an offsetting unrealized gain or loss in our deposit portfolio.

The value of trading securities at October 31, 2000 was $21,994 million, an increase of $4,748 million from 1999.



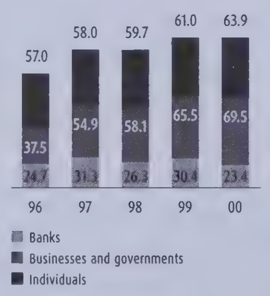
Loans

Loans ($ millions)

As at October 31	**2000**	1999	1998	1997	1996
Residential mortgages	**39,485**	38,189	35,847	35,555	30,086
Consumer instalment and other personal loans	**18,038**	16,912	16,095	14,682	12,812
Credit card loans	**1,407**	1,160	797	1,912	3,842
Loans to businesses and governments	**60,176**	57,998	50,598	45,397	38,625
Securities purchased under resale agreements	**16,308**	25,090	27,520	18,517	14,081
	135,414	139,349	130,857	116,063	99,446
Allowance for credit losses	**(1,597)**	(1,348)	(1,166)	(1,145)	(1,033)
Net loans	**133,817**	138,001	129,691	114,918	98,413

Our net loan portfolio as at October 31, 2000 totalled $133,817 million and is considered to be well diversified to ensure that concentrations by customer, industry, geography and currency are within prudent and acceptable limits.

Residential mortgages increased $1,296 million or 3.4% to $39,485 million from $38,189 million in 1999. Loans to businesses and governments were $60,176 million, an increase of $2,178 million from $57,998 million in 1999. These increases were partially offset by a $8,782 million decrease in securities purchased under resale agreements due to the higher interest rate environment. Further details on the composition of loans are provided in notes 4, 5 and 6 to the consolidated financial statements, and in the enterprise-wide risk management section on page 21.



Deposits

Deposits ($ millions)

As at October 31	**2000**	1999	1998	1997	1996
Banks	**23,385**	30,398	26,256	31,272	24,740
Businesses and governments	**69,454**	65,459	58,064	54,901	37,474
Individuals	**63,858**	61,017	59,663	58,039	57,048
Total	**156,697**	156,874	143,983	144,212	119,262

Deposits as at October 31, 2000 were $156,697 million, a decrease of $177 million from 1999. The decrease in deposits from banks, which tend to be more variable, of $7,013 million outpaced the increase in deposits from businesses and governments of $3,995 million and deposits from individuals of $2,841 million. Further details on the composition of deposits are provided in note 10 to the consolidated financial statements and in the enterprise-wide risk management section on page 26.

Subordinated debt

Subordinated debt increased $199 million in 2000 to $4,911 million, which reflects a $300 million new issue during the year and a $150 million redemption of our Series 13 debentures. Further details on subordinated debt are provided in note 12 to the consolidated financial statements.

Shareholders' equity

Shareholders' equity increased $960 million or 8.7% from $10,981 million in 1999 to $11,941 million in 2000. Increases in shareholders' equity from net income and unrealized gains on translation of our net investment in foreign operations of $2,000 million were higher than the payment of dividends to preferred and common shareholders of $631 million and the repurchase of 7.86 million common shares for cancellation at a cost of $500 million. Further details of our enterprise-wide capital management process can be found on page 28.

Change in Accounting Policy

The Canadian Institute of Chartered Accountants has approved a new standard for computing and disclosing earnings per common share which we must adopt beginning in fiscal 2001. The most significant change is that when calculating fully diluted earnings per common share under the new standard, we would assume that proceeds received from the exercise of stock options are used to repurchase outstanding shares; whereas under the current standard, we assume they are invested to earn a return. Further details are provided in note 16 to the consolidated financial statements.

Refer to note 23 to the consolidated financial statements for future changes in United States accounting policies.

Enterprise-Wide Strategic Management

Objective

Our objective is to develop and implement superior strategies at the line of business level in support of operating group and enterprise level strategies. Developing a distinctive competency in strategic management is an important priority for the Bank.

Strategic management includes coordination of standards and activity related to establishing corporate and line of business targets, developing and updating strategies, optimally employing resources, tracking and managing performance against commitments and linking compensation to performance.

The implementation of strategic management standards enables effective decision-making by ensuring dialogue around the highest-value strategic issues, comparability in assessing investment opportunities and effective business mix and resource allocation decisions.

Strategic Management Standards

- Strategies have been developed for each of the Bank's lines of business according to a rigorous set of standards.
- Line of business and group strategies are updated, using the same standards, at least annually or when significant variances from committed financial or strategic performance occur.
- Approved financial performance measurement principles must be applied at the line of business and group levels to the development of strategies and to every element of the strategic management process.
- The strategies must be reconcilable and reconciled to the financial plan.
- The value creation potential of a strategy is measured on a risk adjusted basis against the provisional target of at least doubling value every four years.
- Resources are allocated to value-creating businesses.
- Financial and strategic performance commitments are tracked and managed to ensure the delivery of strategies.

Approach

- Through the Office of Strategic Management, processes are designed, developed and implemented to enable effective strategic management decision-making throughout the Bank.
- Clear and concise strategic management standards are communicated through defined standards and formal and informal training and coaching.
- Dedicated professional personnel with a high degree of strategic management expertise and knowledge of the Bank's strategic direction are in place.

Governance

- Each line of business is responsible for the development and execution of strategies, including the ongoing monitoring of strategies.
- The Office of Strategic Management, which reports directly to the Chief Executive Officer, oversees the strategy activities and ensures adherence to standards.
- Strategies are approved by the Bank's Management Board Executive Committee.
- Group level strategies must be approved by the Board of Directors once a year or when material changes occur.
- Significant line of business strategies, as well as significant new business and change management initiatives, are also presented to the Board of Directors for approval.
- All other line of business strategies obtain final approval from the Risk Review Committee of the Board of Directors.

Enterprise-Wide Risk Management

Objective

Our objective is to earn competitive returns from our various business activities, at acceptable risk levels. Risk management involves overseeing the risks associated with all our business activities in the environment in which we operate, and ensuring that risk-taking is within prudent boundaries and that the prices charged for products and services properly reflect the risks we take. Risk is calculated in terms of impact on income and asset values. We assess the potential effect on our business of changes in political, economic, market and operating conditions, and the creditworthiness of our clients using four primary risk categories: credit/counterparty, market, liquidity and operational risk, as defined on page 20.

In the management of these risks we rely on:

- the competence and experience of our dedicated professional staff operating with due segregation of duties
- sophisticated, quantitatively based analytic tools
- ongoing investment in technology.

This combination of prudence, analytical skills and technology, together with adherence to our operating procedures, is reflected in the strength and quality of our earnings over time.

Strategy

- Identify, price and manage risk in order to maintain an appropriate risk-return relationship;
- Use comprehensive and integrated risk measurement and reporting processes to ensure that risk is managed consistently and effectively on an enterprise-wide basis; and
- Employ proven analytical techniques supported by business experience and sound judgement to understand all dimensions of the risks taken.

Approach

- Promote a strong, proactive culture which gives high value to disciplined and effective risk management;
- Communicate clear, concise risk management standards through policies, directives, operating procedures and training, with adherence to the policies and procedures control framework verified by an objective internal audit process;

Approach (continued)

- Employ dedicated professional personnel with a high degree of risk management expertise and experience;
- Adhere to stringent risk management techniques for the evaluation and acceptance of risk and segregation of responsibilities; and
- Utilize proven, advanced analytical tools and technologies to properly capture and price risk, monitor positions and determine the potential impact of management initiatives and strategies.

Governance

- Authority for all risk-taking activities rests with the Board of Directors and its Risk Review Committee, which approves risk management policies, delegates limits and reviews management's assessment of risk in the major risk-taking activities;
- The Risk Review Committee's approval and Board oversight functions are supported within the management structure by the Risk Management Committee (and its sub-committees dealing specifically with market risk, liquidity and operational risk management), by the Chief Executive Officer's Counterparty Risk Council and by the Risk Management Group;
- Risk Management Group reports directly to the Chief Executive Officer and also provides reports to the Risk Review Committee of the Board of Directors. The group brings together the functions of policy development, risk measurement and risk review and reporting, using a range of methodologies (including, where possible, using Capital at Risk (CaR) as the unit of measurement) to aggregate risks of different types across the enterprise; and
- While each line of business is accountable for the risks it undertakes, including monitoring of those risks, the Risk Management Group oversees risk-taking activities enterprise-wide, as well as adherence to policies and standards.

Enterprise-Wide Risk Management Framework

Shareholders' expected returns

Optimal debt rating, given target business mix

Corporate Standards for Risk Tolerance
Approved by the Board of Directors for each major category of risk, and delegated to management in the lines of business

As depicted above, at the enterprise-wide level we seek to ensure that investors' return expectations and rating agencies' risk assessments, which impact the cost at which we can raise funds, are appropriately balanced in our choice of strategies. This results in the need to manage the risk profile against tolerance levels consistent with Board-approved strategies.

The remainder of this section describes how we manage specific risks, including their measurement, in order to achieve the risk/return balance depicted above. A discussion of our performance against these measures is also included.

The Aggregation of Risks Across the Enterprise – Capital at Risk

The enterprise continues to build its capabilities towards increased use of the concept of CaR to determine capital requirements for the enterprise and the lines of business. The various risk components are aggregated to arrive at the maximum potential loss the enterprise or line of business could incur for a defined level of probability within a specified time interval.

Using CaR ensures that management recognizes the true capital cost for the risks it takes. This process is designed to generate the risk component in the performance measurement of risk and return, which contributes to measurement of economic profit and the increase in shareholder value. Over time CaR will become a key tool in enabling the Bank to incent for the appropriate risk management behaviour in executing approved strategies, and to indicate how performance compares to enterprise goals.

Credit/Counterparty Risk[1] ("credit risk")
Credit risk is the potential for loss due to the failure of a counterparty[1] or borrower to meet its financial obligations. Credit risk arises from traditional lending activity, from settling payments between financial institutions and from providing products that create replacement risk[1]. Replacement risk arises when a counterparty's commitments to us are determined by reference to the changing values of contractual commitments.

Market Risk[1]
Market risk is the potential for loss arising from potential adverse changes in underlying market factors, including interest and foreign exchange rates, equity and commodity prices, and spread and basis risk.

Liquidity Risk[1]
Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

Operational Risk[1]
Operational risk is the risk of loss resulting from a breakdown in, for example, communications, information or transactional processing or legal/compliance issues, due to technology/systems or procedural failures, human errors, disasters or criminal activity. The Bank's definition of operational risk consists of two main components, operations risk and business/event risks.

[1]Defined in the glossary on page 88.

Credit Risk

Objective
Maintain a well-diversified asset portfolio within approved risk tolerance levels, and earn a return appropriate to the risk profile of the portfolio.

Approach
Credit risk management of our diverse client base requires a high degree of personal accountability, clear delegation of decision-making authority, disciplined portfolio management and dynamic loan loss management.

Credit transactions for commercial, corporate and institutional loans are first evaluated by skilled lenders. Our credit function then provides an independent assessment of all significant transactions, and a concurrence from this function is usually required prior to making a lending commitment to a customer. Our independent Internal Audit group also reviews management processes in order to ensure that established credit policies are followed. In addition, the Loan Review unit of the Risk Management Group performs periodic reviews of significant and higher risk transactions.

Diversification of risk within all loan and investment portfolios is a key requirement in effective risk management, particularly in the corporate and institutional portfolios, where concentration of risk can be a significant issue. For large credit transactions, management uses advanced models to assess the impact of the correlation of risks before authorization of the new exposure is provided. Exposure to specific industries is governed by limits on combination of aggregate authorizations in portfolios.

Technological tools used as part of the portfolio management process have allowed the Bank to refocus workloads so that more time and attention are paid to higher-risk transactions. The prompt recognition of problem loans is stressed with material cases being transferred to a group of specialists skilled in managing these accounts. All problem accounts are subject to quarterly review.

Monitoring of performance and pricing of credit transactions are commensurate with risk and are determined using Risk Adjusted Return on Capital (RAROC)[1], as described in the adjacent box, in addition to other methodologies. RAROC is applied to all large commercial transactions and draws upon a number of external market data feeds, including credit ratings and stock exchange data.

We calculate the expected loss (EL) for individual transactions (as part of the calculation of their RAROC) and for the portfolio as a whole in order to establish a prudent annual forecast of loan loss provisions and an appropriate level of general allowance for credit losses. We define EL as management's estimate, for the forthcoming year, of one year's credit losses. The estimate relies upon judgement, in addition to the following:

- the probability of default(s);
- the amount of outstanding exposure at the time of default(s);
- the difference between the book value and market value/realizable value of loans, if default(s) occurred; and
- the effect of economic/industry cycles on asset quality and loan values.

EL should provide a reliable estimate of one year's losses for both the forthcoming year and each successive year under a normal economic cycle. These estimates are supported by the judgement of experienced credit officers and by quantitative analysis of the above, where possible. Estimates and assumptions underlying EL calculations may be supported by portfolio monitoring, historical experience, market data and/or proxies for market data, and modeling of economic and business-specific events. Further information on EL is provided in the box overleaf.

Risk Adjusted Return on Capital (RAROC)
RAROC facilitates the comparison, aggregation and management of market, credit and operational risks across the organization. This methodology was implemented to support risk assessment and measurement applications. RAROC allows management to view these risks on a comparative basis, differentiating by risk class. These comparisons, which can be performed by transaction, client and line of business, enable management to better understand sustainable performance, actively manage the composition of portfolio risk, and allocate capital to those businesses that can most advantageously deploy the capital to maximize shareholder value. This provides a framework for measuring risk in relation to return at each level of our activity.

[1] Defined in the glossary on page 88.

Measures

In addition to ensuring ongoing satisfactory diversification of risk, two primary measures are used:

- **Gross impaired loans and acceptances as a % of equity and allowance for credit losses** is used to measure the financial condition of the portfolio by comparing the level of impaired loans to the level of capital and reserves available to absorb loan losses. It is calculated by dividing the volume of impaired loans by the capital and reserves available to absorb loan losses.
- **The provision for credit losses as a % of average loans and acceptances** represents the level of provisions necessary to cover losses in the lending portfolios. This ratio is calculated by dividing the annual provision for credit losses by the average balance of loans and acceptances.

Gross Impaired Loans and Acceptances as a % of Equity and Allowance for Credit Losses
(excluding non-recurring items)

Provision for Credit Losses as a % of Average Loans and Acceptances
(excluding non-recurring items)

Expected Loss (EL)

We express EL in either gross or net terms. Gross EL captures all exposure to credit loss (e.g. credit losses occurring in subsidiaries, affiliates, joint ventures and securitization vehicles), unless the risk has been fully transferred to third parties or has already been recognized (e.g. through first loss protection or capital allocation). Net EL is that portion of gross EL which includes only the estimates of losses from credit risk that would, if incurred, result in a charge to the Bank's provision for credit losses.

Adjustments are made for percentage ownership in subsidiaries, affiliates and joint ventures, as well as for securitizations, where loss is recognized as a non-interest revenue item rather than being included in the provision for credit losses. When considering the sufficiency of the general allowance, we calculate the amount of the allowance as a multiple of gross EL.

We also measure the degree of potential volatility around the estimated EL, since the volatility of risk is a more important factor for certain assets than EL. Therefore the exposure to the extremes of volatility requires the maintenance of an adequate level of capital. As a result, we use volatility of loss measurements as a key input in determining the CaR.

Performance Review

Loan Quality

Gross impaired loans grew to $1,501 million, an increase of $409 million from the prior year, and comprises 1.04% of total loans and acceptances, compared with 0.75% in 1999. The increase occurred in several industries, with manufacturing and financial institutions representing the largest proportions. While the increase continues an adverse trend, the level of impaired loans remains within acceptable parameters, and coverage of impaired loans by the allowance for credit losses has been sustained. The allowance for credit losses exceeded the balance of gross impaired loans by $96 million at year-end, compared with a $256 million excess in 1999.

Provision for Credit Losses as a Percentage of Average Loans and Acceptances

The provision for credit losses for 2000 was $358 million, up from $320 million in 1999. The provision was reduced by the reversal of the remaining $42 million of country risk allowance on the sale of LDC securities in the fourth quarter of 2000. Excluding this non-recurring item, the provision for credit losses was $400 million. This included specific provisions of $290 million and a $110 million addition to the general allowance.

The provisioning ratio increased to 0.25% from 0.22% in 1999. Excluding non-recurring items, this ratio increased to 0.28% from 0.22% in 1999. This represents a return to more normal levels, following the exceptionally low ratio in 1998. The 1998 provisioning ratio was the lowest in more than two decades. The 2000 provision remains low in relation to the average loss experience through the last economic cycle.

Increased General Allowance

The total general allowance now amounts to $1,080 million, up from $970 million in 1999. The general allowance is maintained in order to cover any impairment in the loan portfolio that cannot yet be identified on a specific loan basis. A number of factors are considered when determining the general allowance, including statistical analysis of past performance, the level of allowance already in place and management's judgement regarding portfolio quality, business mix and economic as well as credit market conditions. Normally, the general allowance would increase during a strengthening economy, as competition results in reduced availability of lending opportunities with strong loan structures. Thus increased loss probability arises even though this might not be fully discernible in individual loans in the portfolio. The general allowance would be expected to be drawn down as required during weaker phases of the economic cycle, when loan-by-loan specific allowances would be established as the probability of loss becomes ascertainable in individual loans.

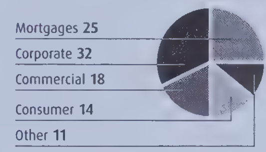
Portfolio Diversification

We have a well-diversified portfolio mainly focused in the strong economies of North America and comprising lending relationships with millions of clients, the majority of whom are consumers and small to medium-sized businesses. The portfolio also continues to be free from undue concentrations in terms of country exposure and type of lending.

1999 Compared with 1998

Our provision for credit losses in 1999 was $320 million, up from $130 million in 1998. The provisioning ratio was 0.22%, compared with 0.09% in 1998. The gross impaired loans ratio increased from 6.66% in 1998 to 8.53% in 1999.

Market Diversification
(% of loan portfolio)



Market Risk

Objective

Identify, measure, monitor and report all market risk-taking activities, ensuring that exposures remain within approved risk tolerance levels and that the return from market risk activities is acceptable.

Approach

We have established Board-approved Corporate Standards for Market Value Exposure (MVE) and Earnings at Risk within which our market risk activities are conducted. The primary risk measurement methodologies are Value at Risk (VaR)[1] and 12-month Earnings at Risk (EaR)[1]. For structural and money market exposures, we also measure off-balance sheet exposure gaps, interest rate exposure gaps and sensitivity to rate changes. Structural and money market exposures are controlled by actively managing the asset and liability mix, either directly through the balance sheet or with off-balance sheet derivative tools. For trading securities, we also manage market risk capital to the Bank for International Settlements (BIS) Standards. VaR models are in place for the management of trading market risks in respect to interest rates, foreign exchange rates, commodity prices and equity prices. Each of these models, except the last, has received regulatory approval for use as an internal model for regulatory capital purposes. We anticipate receiving regulatory approval for our VaR model for equity prices in 2001.

Performance Review

Processes

Significant progress was made in 2000 on initiatives intended to expand application of market risk management enterprise-wide, and better identify the sources and magnitude of all market risk activities. A principal element of these initiatives is the building of appropriate technology and process capabilities to enhance ongoing risk measurement and reporting improvements. In addition, we introduced measures to improve the definition and management of the interrelationships between market risk and credit risk.

During 2000 we implemented our Commodities Value at Risk (CVaR) methodology and received regulatory approval to use this as an internal model for regulatory capital purposes effective April 30, 2000. We have also implemented Equity Value at Risk (QVaR) methodology for risk management purposes. Work is progressing on a comprehensive Value at Risk platform that will provide a fully integrated risk process across all risk classes — interest rate, foreign exchange, commodities and equities — for daily VaR, scenario analysis and stress testing.

Measures

Market Value Exposure (MVE) (incorporating Value at Risk methodologies) and Earnings at Risk[1] are the key measures for analyzing market risk. These measures calculate the impact on our earnings and economic value of a one-time change in market rates/prices, based on the estimated maximum adverse market rate/price change that would be expected to occur within the estimated time period required to neutralize the risks in a portfolio. Our estimates are based upon statistical historical analysis using a 99% confidence level. The calculations exclude the effect of actions that we might take to reduce risk, actions that clients might take in response to changing rates/prices, and correlations between portfolios. The box below details the sources that create market risk.

Market Risk Sources

Structural and money market: Canadian and U.S. retail and commercial and Canadian corporate instruments, bank placements and acceptances, repurchase and reverse repurchase agreements and international loans and investments

Investments: Securities investments in investment portfolios

Trading and underwriting: Instruments designated as trading and marked-to-market.

[1] Defined in the glossary on page 88.

Structural and Money Market Interest Rate Risk Management

Interest rate risk is a principal non-trading market risk. We use two primary risk models to determine the sensitivity of our non-trading portfolios to adverse interest rate changes. Our first model is the 100 basis point increase model, which calculates the impact on earnings over a 12-month horizon and on the value of our assets and liabilities of a one-time 100 basis point increase across all portfolios. This model is used by most financial institutions and hence facilitates comparability with our peers.

Our second model is the "interest rate risk model," which is used internally as a more sophisticated measure of risk. This model calculates the impact on earnings over the next 12 months and on the value of our assets and liabilities of a one-time change in rates. At a 99% confidence level, it reflects the maximum expected interest rate change in each portfolio during the estimated period required to close our positions in that portfolio. Management considers this a more accurate reflection of our interest rate risk. Our money market instruments are short-term in nature and we would normally be able to close them before a full 100 basis point interest rate increase occurred.

Trading and Underwriting Market Risk Management

Trading risk management is based on a number of risk measures and associated limits. The key elements of this structure are:

- magnitude of risk;
- sources or concentrations of risk;
- scenario analysis and stress testing of risk positions; and
- sensitivity and stability measures.

Magnitude of risk is measured in Market Value Exposure terms. This measure calculates the maximum likely loss from a given portfolio of trading assets. The risk tool generally employed for this measure is VaR. VaR is calculated at a 99% confidence level for a holding period of one day (for capital purposes, VaR is also calculated with a holding period of 10 days). VaR is the measurement tool and the Corporate Standard for Market Value Exposure is the associated limit structure.

Sources and concentrations of risk are measured based on specific risk categories. This measure allows the trading operation to ensure that there are no undue concentrations of risks (examples are credit spread risk, interest rate Vega risk and the level of risk in specific currencies).

Scenario analysis and stress testing have become recognized in the industry over the past few years as key risk management tools. The trading units are subject to stress test limits and, increasingly, are able to evaluate risk scenarios to determine outcomes from possible or probable market movements. The Bank is committed to continuing development in this area.

Sensitivity and stability analysis is focused on understanding and measuring the model risk associated with the use of highly sophisticated pricing and risk tools. The process seeks to determine those input or calibration parameters to which the model is most sensitive and which are the most variable or unstable. This provides an understanding of the range of possible values from the models employed.

Results

The composition of the trading and non-trading market risk positions as at October 31, 2000 were within our Corporate Standard for Market Value Exposure. Results of back-testing and stress testing of the output of our models have also been within limits.

In the third quarter of 2000, exposure to natural gas price volatility resulted in a pre-tax loss of $52 million ($30 million after-tax). Although the positions were within the tolerance limits set for those activities, a detailed examination of the background resulted in modifications to existing processes and other management actions to constrain exposure to future losses in this area.

Overall, the BIS "minimum capital requirement for market risk" is $372 million as at October 31, 2000, down from $538 million as at the end of 1999. This reduction was mainly attributable to commodities and reflects both the adoption of more capital-efficient VaR methodology and reduced commodity exposures.

Aggregate Market Value Exposure

Interest Rate Risk Sensitivity – Rising Interest Rates

As at October 31, 2000 (after-tax Canadian equivalent $ millions)	2000 Structural and money market portfolios: 100 basis point increase	2000 Structural and money market portfolios: Rising interest rate risk (b)	1999 Structural and money market portfolios: 100 basis point increase	1999 Structural and money market portfolios: Rising interest rate risk (b)
Earnings at risk over the next 12 months (a)	**40.1**	**17.3**	70.2	43.6
Economic value at risk (a)	**215.8**	**270.6**	351.0	438.7

(a) Risk measures include the impact of embedded options but exclude actions that we would take to reduce risk or the actions that clients might take in response to changing rates. Other assumptions are consistent with those disclosed in the interest rate gap position table on page 74 of the Supplemental Information.
(b) Risk measures are based upon statistical analysis of historical data on an individual portfolio basis using a 99% confidence level (1999 – 97.5% confidence level).

Total Trading and Underwriting VaR Summary for the Period from November 1, 1999 to October 31, 2000

(pre-tax Canadian equivalent $ millions)*	As at year-end	Average	High	Low
Interest Rate	14.1	17.9	24.4	11.6
Foreign Exchange	5.8	3.7	8.1	1.7
Commodity	1.5	2.6	6.6	0.7
Equity	6.9	5.3	9.7	2.8
Correlation Effect	(4.3)	(4.3)	(6.9)	(2.8)
Total	24.0			

*One-day measure using 99% confidence level.

Includes interest rate and foreign exchange VaR for the year, commodity VaR from February 1, 2000 and equity VaR from May 1, 2000. Reflects correlated effects for interest rate and foreign exchange from August 1, 2000.

Market Risk Sensitivity – Adverse Changes in Market Rates/Prices (a)

As at October 31 (after-tax equivalent $ millions)	2000 Cdn$	2000 US$	1999 Cdn$	1999 US$
Earnings at risk over the next 12 months (b)	**51.2**	**53.8**	54.4	45.1
Market value exposure (b)	**209.5**	**72.5**	371.1	98.1

(a) Earnings at risk and economic value at risk include Cdn$6.6 and US$4.4 in 2000 and Cdn$17.5 and US$12.8 in 1999 related to trading portfolios.
(b) Assumptions for the model are consistent with (a) and (b) under interest rate risk sensitivity, with the additional inclusion of minimum rates on deposits.

Initiatives in 2000 were undertaken to reduce our market value exposure. Our earnings at risk exposure was relatively stable during 2000.

Further details regarding derivative exposures are provided in note 21 to the consolidated financial statements.

Liquidity Risk

Objective
Maintain sufficient liquid assets and funding capacity to meet our financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

Approach
Our approach to liquidity management is to project liquidity requirements based on expected and stressed economic, market, political and enterprise-specific events. This enables us to ensure that we have sufficient funds available to meet our financial commitments, even in times of crisis. Funds encompass both liquid assets on hand and the capability to raise additional funds.

We continuously monitor liquidity risk and actively manage our balance sheet to minimize this risk. Management establishes minimum liquid asset holding requirements, together with limits and guidelines for liability diversification and credit commitments.

Our large base of deposits from individuals and our strong capital position provide a long-term, stable source of funding.

Our wholesale funding base is diversified by customer, type, market, maturity term and currency. Wholesale deposits are largely short-term in nature and primarily support our money market and trading assets and investment securities. Wholesale funding activities are performed by professional teams accessing major financial markets worldwide.

Asset securitization provides an alternate source of funds through the sale of assets. During 2000, we securitized $1,875 million of NHA-insured mortgage loans.

Performance Review
Our ratio of cash and securities-to-total assets decreased from 29.2% at October 31, 1999 to 27.8% at October 31, 2000. The decrease was the result of a reduction in deposits with banks, partially offset by growth in trading securities.

Our secondary measure of liquidity is core deposits as a percentage of total deposits (core deposits are defined as total deposits less deposits greater than $100,000 payable in source currency on a fixed date). Core deposits as a percentage of total deposits increased from 48.8% to 56.8% in 2000. The increase was a result of growth in retail and commercial core deposits and reduced balance sheet funding from deposits by banks. Additional information on liquid assets can be found in Table 17 of the Supplemental Information on page 81.

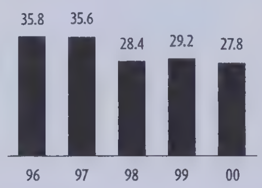
We maintain broad diversification of deposits by client and type, as shown in the adjacent charts.

In the ordinary course of business, a portion of liquid assets is pledged as collateral to support money market and trading activities and our participation in clearing and payment systems, both domestically and abroad. As at October 31, 2000, $21.8 billion of liquid assets had been pledged, up from $21.6 billion pledged in 1999.

Outlook
We are targeting a cash and securities-to-total assets ratio consistent with the 2000 ratio.

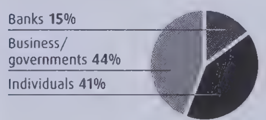
Measure
The **cash and securities-to-total assets** ratio is our primary measure of liquidity coverage, and represents the ratio of deposits with other banks, other cash resources and securities (liquid assets) to total assets. It allows us to ensure that we have sufficient liquid resources to meet our financial commitments.

Cash and Securities-to-Total Assets (%)

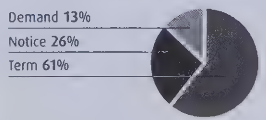


Core Deposits as a Percentage of Total Deposits (%)

Deposits by Client



Deposits by Type



Operational Risk

Objective
Operational risk is inherent in all business activities, and the management of these risks is important to the achievement of organizational goals. While operational risks can never be eliminated, they can be managed, mitigated and in some cases insured against to preserve and create value.

Approach
Operational risk is managed through the establishment of effective infrastructure and controls. To this end, we have established a well-formulated framework that uses the strengths and specialized knowledge of our lines of business, Risk Management Group and support functions. Our strategy is to maximize our ability to manage and measure operational risk through implementation of a framework that takes advantage of the best practices in the industry.

Operational risk methodologies are continuously evolving as banks around the world attempt to understand and model the characteristics of these risks. This means having a solid infrastructure and governance process in place that allow us to continuously improve our measurement and control methodologies.

Infrastructure
Key elements of the infrastructure include qualified and well-trained personnel, establishment of controls through documented policies and procedures and clear, consistent guidelines. The Risk Management Group regularly reviews and updates policies to ensure that risk principles are appropriately disseminated throughout the Bank, and appropriate accountabilities are established and maintained. In addition, independent examination and verification by the internal audit function ensure that controls are functioning effectively.

Governance
An Operational Risk Committee of senior executives is being established to provide a formalized decision-making mechanism for operational risk issues, discuss cross-group impacts of significant risks, recommend and make changes to new or existing policies, and review and approve risk quantification and capital allocation methodologies. The Committee is comprised of representatives from all areas of the Bank to ensure enterprise-wide coverage of risks and their impacts.

We continuously monitor the effectiveness of our management of operational risks. The Risk Management Group reports significant operational events (if any) that occur throughout the enterprise to executive management and the Board of Directors. Internal Audit, in addition to advising senior management of the Bank, also provides regular reports to the Audit Committee of the Board of Directors on the effectiveness of internal controls.

Operational risk's two components are outlined as follows:

Operations Risks
Operations risks are controlled through regular daily functions, and managed through internal procedures and monitoring mechanisms.

Operations risks include risks to physical and logical security, transaction processing, operations control, technology and systems, as well as unique risks that arise due to outsourcing.

Business/Event Risks
Business/event risks include underlying, structural and external risks.

Business/event risks can also arise due to unexpected events (e.g. natural disasters) and can have a material impact if they are not planned for in advance.

Business/event risks include strategic errors or disasters, damage to the Bank's image or reputation, or risks due to taxation, accounting and financial management, legal and regulatory requirements, human resources, and complex models used by the Bank.

Performance Review
No material losses occurred in 2000, 1999 or 1998; however, there is no assurance that we will not suffer such losses in the future due to the nature of the risks.

In relation to the year 2000 transition, our objective that our business operations run accurately and without disruption before, during and after the calendar change was fully achieved.

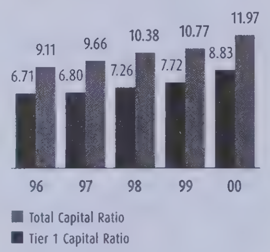
Measure
Currently the financial measure of operational risk is actual losses incurred. We are moving to modeling techniques to better quantify operational risk. Through the coordinated efforts of the Risk Management Group, lines of business and specialized functions such as Taxation, Legal and Technology, we are determining the significant risks in each business and assessing the frequency and severity of potential operational losses if they were to occur. Certain risks lend themselves to the use of historical data and trend analysis, while for other risks, such as strategic and disastrous events, where historical data is not statistically significant, worst-case scenarios are developed and analysed. It is expected that the results of the analysis will be distributed through statistical models to allocate an appropriate amount of risk-based capital to each line of business.

Enterprise-Wide Capital Management

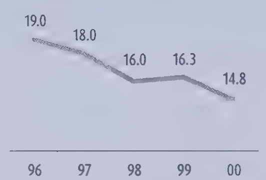
Measure
The **Tier 1 Capital Ratio** is our primary measure of capital adequacy. It is defined as Tier 1 capital divided by risk-weighted assets.

Target
Our 2000 target was to maintain a Tier 1 Capital Ratio of at least 8.0%.

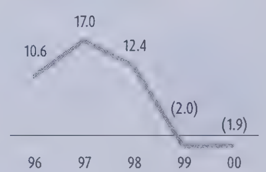
Regulatory Capital Ratios[1] (%)



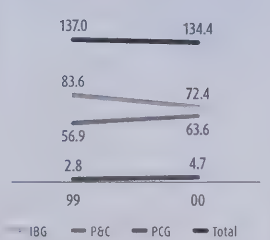
Assets-to-Capital Multiple



Risk-Weighted Asset Growth (%)



Risk-Weighted Assets by Operating Group ($ billions)



Highlights

- We continued to strengthen our Tier 1 Capital Ratio[1] from 7.72% to 8.83% in 2000
- We reduced risk-weighted assets[1] by $2.6 billion during the year
- Under our share-buyback program, which expired on October 31, 2000, we repurchased 7.86 million common shares for cancellation at a cost of $500 million, which met our capital management needs
- On October 11, 2000, we issued $350 million of BMO Capital Trust Securities (BMO BOaTS™), which qualify as Innovative Tier 1 capital[1] for regulatory purposes. These units were issued to provide us with a cost-effective means of satisfying our capital requirements, and replaced $150 million of Tier 2 capital

Objective
Our primary objective is to maintain a consistently strong capital position to support the building of long-term shareholder value and meet the needs of stakeholders, including shareholders, regulators, depositors and rating agencies.

Strategy
We seek to improve our capital position in two primary ways. First, we focus on balance sheet management with the objective of reducing low-yielding assets. Second, we redeem/issue capital instruments as necessary to achieve the most cost-effective capital structure possible.

Dividends will generally be increased in line with long-term trends in earnings per share growth, while ensuring that sufficient profits are retained to support anticipated business growth, fund strategic investments and provide continued support for depositors.

Approach
We take a disciplined approach toward balance sheet management, which includes setting limits and monitoring adjusted and risk-weighted assets[1]. At the consolidated Bank level, our capital determines the amount of risk we can assume, subject to regulatory and legal requirements. At the line of business level, capital is allocated to support the risks associated with the activities in each line of business. We use several measures for monitoring regulatory capital requirements, including the Tier 1 Capital Ratio, the Total Capital Ratio and the assets-to-capital multiple[1], as defined by the Office of the Superintendent of Financial Institutions (OSFI).

Performance Review
These ratios all improved in 2000 from 1999 — the Tier 1 Ratio to 8.83% from 7.72%, the Total Capital Ratio to 11.97% from 10.77% and the assets-to-capital multiple to 14.8 from 16.3. We strengthened these ratios by retaining capital in the business to ensure that we were meeting our objective to maintain a Tier 1 Capital Ratio of at least 8.0%. We reduced the level of risk-weighted assets by $2.6 billion. Risk-weighted assets were lowered in the Investment Banking Group, mostly in the corporate lending portfolio, and redeployed in higher-yielding retail loans in the Personal and Commercial and Private Client Groups.

Our 2000 and 1999 ratios are well above the minimum levels specified by OSFI.

Source and Utilization of Capital in 2000 ($ millions, except as noted)

	Total Tier 1 Capital[2]		Risk-Weighted Assets[2]	Tier 1 Capital Ratio[2]
November 1, 1999	$ 10,578	November 1, 1999	$ 136,964	7.72%
Net income	1,857	Increases (decreases)		
Dividends (common and preferred)	(631)	Personal and Commercial		
Goodwill	(17)	Client Group	6,695	
Issue of shares	428	Private Client Group	1,928	
Repurchase of shares for cancellation	(500)	Investment Banking Group	(11,190)	
Translation of foreign operations and other	149	Corporate Support	(37)	
October 31, 2000	$ 11,864	October 31, 2000	$ 134,360	8.83%

1999 Compared with 1998
In 1999, our Tier 1 Capital Ratio increased to 7.72% from 7.26% in 1998 due to balance sheet management including the implementation of integrated market risk models and earnings growth.

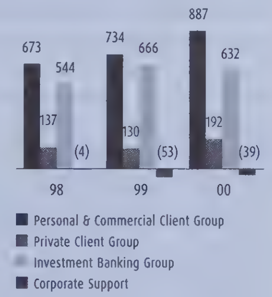
Outlook
We are targeting to maintain a Tier 1 Capital Ratio of at least 8.0% in 2001, with modest growth in risk-weighted assets.

[1] Defined in the glossary on page 88.
[2] Additional information on Capital Adequacy can be found in Table 22 of the Supplemental Information on page 83.

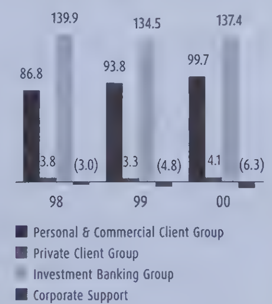
Review of Client Groups Performance

This section provides an overview of the Bank's operating groups, their objectives and accomplishments for 2000 and their objectives for 2001. An analysis of the 2000 and 1999 financial results is also provided. A separate analysis of Harris Bank, whose financial results are included within the Personal and Commercial Client Group, the Private Client Group and the Investment Banking Group, is included.

Net Income Business Mix by Operating Group
(excluding non-recurring items)
($ millions)



Average Assets by Operating Group ($ billions)



Personal and Commercial Client Group

Net income was $1,022 million in 2000, an increase of $270 million or 36.0% from 1999. Excluding non-recurring items that increased net income by $135 million in 2000 and $18 million in 1999 and the contribution from the Bank's investment in Bancomer, net income increased $207 million or 33.2%, as further discussed on page 33.

Private Client Group

Net income was $192 million in 2000, an increase of $62 million or 48.0% from 1999. The inclusion of an additional month's results from BMO Nesbitt Burns increased net income in 1999 by $1.5 million. The group's net income from normal operations increased 49.8% from the prior year, as further discussed on page 36.

Investment Banking Group

Net income was $632 million in 2000, a decrease of $34 million or 5.2% from 1999. The decline in net income was attributable to the Bank's extension in 2000 of its expected loss provisioning methodology to the group and the inclusion of an additional month's results from BMO Nesbitt Burns in 1999, which together increased 1999 net income by $47 million relative to 2000. The group's net income from normal operations rose $13 million or 2.0% from the prior year, as further discussed on page 39.

Harris Bank

Net income was US$268 million in 2000, an increase of US$48 million or 21.8% from 1999. The increase in net income was attributable to revenue growth of US$56 million, a US$25 million decrease in non-interest expenses, and a US$3 million decrease in the provision for credit losses, as further discussed on page 40.

Corporate Support

Net income was $11 million in 2000, an increase of $177 million from 1999. Excluding non-recurring items that increased net income by $50 million in 2000 and decreased net income by $113 million in 1999, net income increased $14 million year-over-year, as depicted on page 41.

Net Income Business Mix and Average Assets by Operating Group

For the year ended October 31	Personal & Commercial Client Group			Private Client Group			Investment Banking Group			Corporate Support			Total Consolidated		
	2000	1999*	1998*	**2000**	1999*	1998*	**2000**	1999*	1998*	**2000**	1999*	1998*	**2000**	1999*	1998*
Net income ($ millions)															
Canada	**648**	508	518	**164**	99	93	**295**	125	143	**(38)**	(174)	(17)	**1,069**	558	737
United States	**254**	83	89	**28**	25	26	**285**	441	353	**10**	(20)	11	**577**	529	479
Other countries	**120**	161	66	**0**	6	18	**52**	100	48	**39**	28	2	**211**	295	134
Total	**1,022**	752	673	**192**	130	137	**632**	666	544	**11**	(166)	(4)	**1,857**	1,382	1,350
Business mix (%)	**55.0**	54.4	49.9	**10.4**	9.4	10.1	**34.0**	48.2	40.3	**0.6**	(12.0)	(0.3)	**100.0**	100.0	100.0
Excluding non-recurring items	**887**	734	673	**192**	130	137	**632**	666	544	**(39)**	(53)	(4)	**1,672**	1,477	1,350
Business mix (%)	**53.1**	49.8	49.9	**11.5**	8.8	10.1	**37.7**	45.0	40.3	**(2.3)**	(3.6)	(0.3)	**100.0**	100.0	100.0
Average Assets ($ millions)															
Canada	**80,624**	75,687	70,495	**1,667**	1,344	2,075	**55,465**	42,640	51,263	**(8,852)**	(8,192)	(4,159)	**128,904**	111,479	119,674
United States	**17,985**	17,121	15,494	**2,368**	1,802	1,551	**56,635**	56,013	55,635	**2,399**	3,199	913	**79,387**	78,135	73,593
Other countries	**1,056**	948	841	**80**	112	135	**25,375**	35,820	33,001	**142**	220	206	**26,653**	37,100	34,183
Total	**99,665**	93,756	86,830	**4,115**	3,258	3,761	**137,475**	134,473	139,899	**(6,311)**	(4,773)	(3,040)	**234,944**	226,714	227,450

*Restated to give effect to the current year's organization structure and presentation changes. During the year, certain lines of business were transferred between client groups to more closely align with our client segments. The mid-market corporate banking and treasury units of Harris Bank were transferred from the Personal and Commercial Client Group (P&C) to the Investment Banking Group in order to combine the strengths of the Harris client relationship with BMO Nesbitt Burns investment banking and capital markets capabilities in Chicago. In addition, the Canadian term deposit business and Private Client Services Centre were transferred from P&C to the Private Client Group in order to bring our wealth management capabilities together.

Basis of presentation of results of operating groups
Expenses are matched against the revenues to which they relate. Indirect expenses, such as overhead expenses and any revenue that may be associated thereto, are allocated to the operating groups using appropriate allocation formulas applied on a consistent basis. For each currency, the net income effect of funds transferred from any group with a surplus to any group with a shortfall is at market rates for the currency and appropriate term. Segmentation of assets by geographic region is based upon the ultimate risk of the underlying assets. Segmentation of net income is based upon the geographic location of the unit responsible for managing the related assets, liabilities, revenues and expenses.

Personal and Commercial Client Group

Group Description

The Personal and Commercial Client Group (P&C) is committed to providing integrated, seamless and high-quality service to seven million personal and commercial accounts across Canada and in the United States. P&C offers a full range of products and services through 16,000 highly skilled financial service providers in more than 1,100 Bank of Montreal and Harris Bank branches as well as directly through bmo.com, harrisbank.com, BMO mbanx Direct® and a network of 1,987 automated banking machines.

Client Profile

P&C's client base includes individuals and small and medium-sized businesses throughout Canada and in the United States. To provide clients with the high-quality service and product choice that are the foundation of strong customer relationships, P&C works closely with the Private Client and Investment Banking Groups.

2000 Objectives

The Personal and Commercial Client Group is the largest contributor to the Bank's earnings. Through an extensive branch and automated banking machine network as well as a diverse electronic distribution system, P&C serves over five million personal and 450,000 commercial clients across Canada.

In 2000, P&C's goal was to capitalize on its strong position in the Canadian market, primarily by moving to an integrated product relationship with customers. To achieve this objective, P&C focused on a number of key performance indicators. These included:

- Outpace market rate of growth in deposit and loan balances.
- Continue to transform customer access channels.
- Increase e-business capabilities.
- Reduce cost structure.
- For Harris Chicagoland Banking's community banks, the objective was to achieve strong growth in deposits and consumer and small business loans.

2000 Accomplishments

- In Canada, increased mortgage loans by 6.4%, credit cards and other personal loans by 6.7%, and loans and acceptances to commercial enterprises, including small businesses by 8.4%.
- Sold or consolidated 100 branches and opened 41 new locations, while growing the number of our telephone banking and online customers to 1.7 million.
- Launched the first wireless banking services in North America and signed up more than 90 large-volume mailers, including the City of Toronto as customers of EPOST™4, North America's first electronic post office and electronic billing service.
- Reduced the expense base by $78 million without affecting customer service.
- In Chicagoland Banking, grew consumer loans by 15%, with total loans increasing by 12%.

2001 Objectives

- Pursue an integrated approach to branch and electronic banking to ensure that all our employees work in concert to help simplify our customers' financial lives.
- Pursue an integrated, strategic approach to the development and marketing of personal banking products.
- Provide more customized service and otherwise aggressively target the high-growth and underserved small business banking market.
- Build on our leadership position in the key and relatively underserved commercial segment of companies with annual revenues of $100 million to $300 milllion.
- Through continuing expansion of technology, state-of-the-art risk management techniques and strict internal discipline, achieve asset growth while maintaining existing high asset quality standards.
- In the United States, focus internally on a major opportunity to ramp up retail/small business lending by more than $1 billion.

Distribution Network

Distribution comprises the multi-channel network through which we deliver financial services to our customers. This includes branches in Canadian communities from coast to coast, supermarket branches and automated banking machines as well as BMO mbanx Direct, which provides customers with a full range of anywhere, anytime service via the Internet, telephone and wireless devices.

2000 Objectives

- Continue to transform the branch network through the consolidation of 105 branches and the opening of 45 in-store branches.
- Redesign the business model for the direct channel.
- Expand functionality in Internet and telephone service areas.

2000 Accomplishments

- Substantially completed our three-year branch transformation program with the sale or consolidation of 100 branches. Of this number, 62 branches were sold to credit unions in Western Canada.
- Opened 28 in-store branches in Western Canada, Ontario and Quebec and purchased 12 branches from TD Bank and Canada Trust in high-growth markets in Ontario.
- Merged mbanx and TeleBanking under the new branch of BMO mbanx Direct, an initiative that involved over 1,000 job changes and the migration of 150,000 clients to Everyday Banking Plans and a segmented sales and service business model.
- Redesigned the enterprise web site with a common look and feel, easy navigation and enhanced self-service and wireless access features.

Residential Mortgages

The Residential Mortgage group offers a broad range of competitive mortgage products to consumers through a range of preferred environments. Clients have the choice of applying for mortgages in Bank of Montreal branches and in-store outlets at Safeway and A&P Dominion stores and online at bmo.com. In addition, this line of business operates a wholly-owned subsidiary, Xceed™ Mortgage Corporation, which specializes in expanding the availability of mortgage financing.

2000 Objectives

- Enhance profitability and growth of residential mortgage products through client value management and product innovation.
- Expand into new customer segments by leveraging our state-of-the-art loan decision-making capabilities.
- Continuously improve operating efficiency in our systems and processes to ensure delivery at the lowest possible cost.

2000 Accomplishments

- Introduced three new products: the Mortgage Cash Account, which allows customer access to monies prepaid on their mortgages; the Five-Year Open, which provides a guaranteed rate and the option to refinance at any time; and the Flexible Below Mortgage, a variable rate, six-year offer.
- Introduced a specialized mortgage sales force to offer financing directly to the Canadian resale market at the customer's location of choice.
- Established Renewal Centre of Excellence, staffed by mortgage renewal specialists, to provide customers with the convenience of renewing their mortgages by telephone.

Consumer Finance

Committed to meeting the needs of its customers, the Consumer Finance line of business offers products and services including consumer loans, lines of credit, conditional sales contracts for automotive finance and personal overdrafts. The group is also responsible for leveraging the Bank's core capabilities in online lending through strategic alliance initiatives such as Competix and financiaLinx™[6] service.

2000 Objectives

- Improve and expand product offering by simplifying and rationalizing the current total product suite to make it easier for our clients to address all of their personal credit needs.
- Improve the delivery of our offerings through the expansion and development of new distribution channels including in-store branches, mobile lenders and online lending.
- Reduce operating costs by improving lending systems efficiencies.

2000 Accomplishments

- Expanded business-to-business market and created bmolending.com to service this growing segment.
- Increased sales of Competix's Credit Manager, our industry-leading automated lending system, and welcomed new investors – J.P. Morgan and Trans Union – to Competix, a joint venture founded by Bank of Montreal and American Management Systems.
- Expanded financiaLinx, a joint venture between Bank of Montreal and CIT that offers auto dealers online access to car lease and loan approvals, into the largest independent automotive leasing company in Canada.

Commercial Banking

The Commercial Banking group provides a full range of banking services to over 450,000 small and mid-sized businesses in Canada. Customers can access a wide array of products and services including cash management, loans and deposits across an integrated distribution platform that includes the Internet, call centre, telephone and branch network.

2000 Objectives

- Aggressively and selectively target high-growth and high-value businesses in key industry sectors and regions and continue to leverage our Corporate Finance capabilities.
- Enhance sales force competency through additional training and accreditation and highly targeted intake programs.
- Expand customer channel access.

2000 Accomplishments

- Expanded channel platform with the introduction of a dedicated contact centre, staffed with commercial specialists, to sell and service commercial loans and cash management requests.
- Enhanced online banking facility with the introduction of online loans of up to $250,000, an expanded service menu and needs analysis tools.
- Increased Corporate Finance team complement by 30% to enable continued geographic expansion.
- Introduced Succession Financing capability in Canada.
- Expanded client choice with the introduction of additional Everyday Banking Plans for Business.

Everyday Banking

Everyday Banking encompasses the day-to-day banking experiences of our personal clients. Through various channels, including branches, telephone, Internet, wireless services and ABMs, Everyday Banking customers can access products ranging from chequing and savings accounts to retail and travel services.

2000 Objectives

- Continue to focus on differentiated pricing based on transaction volumes and channel preference.
- Engage in significant product development to address changing client needs and competitive offers.

2000 Accomplishments

- Initiated an important customer acquisition program, Double Dip with Debit™, by introducing a co-branded Bank of Montreal–AIR MILES®[4] debit card.

Insurance

The Insurance line of business offers payment and balance creditor insurance to loan, mortgage and MasterCard®[2] customers and participates in the international reinsurance market. The group's focus for the future lies in identifying underserved market segments where it can successfully leverage the Bank's core strengths and develop innovative insurance solutions.

2000 Objectives

- Continue work on product and process re-engineering coupled with expert sales support and training to achieve top-tier performance in creditor insurance.
- Selection of optimal participation strategies for the insurance market.
- Continue to expand the scope of our international reinsurance operations, particularly in markets where some of our key strengths can be leveraged.

2000 Accomplishments

- Established divisional Creditor Sales Support positions and initiated development of enhanced Creditor Insurance platform.
- Launched an employee pilot of MyChoiceInsurance™ service, a consumer-oriented e-commerce service that offers home and auto insurance information.

Corporate Electronic Financial Services

Corporate Electronic Financial Services (CEFS) provides working capital solutions to corporate and commercial clients. CEFS products and services, which enable clients to better reach their customers, trading partners and suppliers, range from paper-based processing and electronic payment and information services to Internet-based financial and non-financial solutions.

2000 Objectives

- Transform customer service to make it easier for clients to do business with CEFS by using web-enabled technology to streamline processes and improve service quality and timelines.
- Invest in competitively advantaged products that offer the greatest return and growth potential.
- Increase penetration of cash management services in the commercial market segment.

2000 Accomplishments

- Launched Internet-enabled access to cash management services for corporate and commercial clients in the United States and enabled correspondent banking clients to access account information via the Internet.
- Launched an Internet-based platform to streamline and automate North American implementation processes and facilitate self-service by clients.
- Introduced a new centralized customer service model that offers customers a single point of contact and faster service.

e-Business

The e-Business group works with lines of business across the Bank of Montreal Group of Companies to identify, evaluate and develop enterprise-wide electronic business strategies. The mandate of e-Business is to implement electronic solutions to provide better, faster and more economical service to existing customers and reach out to new markets.

2000 Objectives

- Optimize existing technologies, capabilities and projects across the organization.
- Develop the full spectrum of end-to-end electronic client service functionality.

2000 Accomplishments

- Launched the Veev™ service in Canada, North America's first wireless banking service, in partnership with 724 Solutions Inc. and Bell Mobility®.
- Launched Harris Wireless™¹ service, the first wireless banking service in the United States.

Electronic Banking Services

In Canada, Electronic Banking Services provides MasterCard brand credit card products and services to individuals. Across North America, this line of business provides corporate card end-to-end payment solutions as well as credit and debit card processing services to commercial and corporate clients.

2000 Objectives

- Manage profitability at the account level and expand data engineering and analytic techniques to re-engineer marketing and sales and service to reflect account level knowledge.
- Leverage partnerships to optimize mutual advantage.
- Pursue Corporate Card as a strategic plank for growth in North America, offering world-class card and electronic commerce solutions.

2000 Accomplishments

- Continued to build retail card business, managing profitability at the account level using data engineering and sophisticated analytic techniques.
- Developed and launched Internet-enabled corporate card purchasing solutions.
- Announced the creation of a joint venture, combining the merchant services and payment acquiring businesses of Bank of Montreal and Royal Bank Financial Group. To be launched in December 2000, the joint venture will rank among the top five North American merchant payment processors.

Cebra®*

Cebra Inc., a wholly-owned subsidiary of Bank of Montreal, is a leading provider of Internet-based e-business solutions.

2000 Objectives

- Launch fully operational EPOST service and establish critical mass of senders and receivers.
- Expand MERX™* subscriber base and leverage core operating platform.
- Implement a major hub client on TotalTrade™* and establish sales and marketing program.

2000 Accomplishments

- Launched EPOST service in November 1999 with 29 founding senders and grew the business to include 90 large-volume mailers and 125,000 recipients.
- Grew MERX subscriber base to 45,000, of which 65% are small and medium-sized enterprises, and launched a pilot MERX service in the Philippines.
- Introduced TotalTrade Total Invoicing and Payments solution to specifically address the need for business-to-business electronic invoicing and implemented large hub corporation and its trading partners in the United States.

Harris Chicagoland Banking

Harris Chicagoland Banking provides a broad range of financial services to approximately one million individual and business clients across the Chicago metropolitan area.

2000 Objectives

- Grow deposits, consumer loans and small business loans.
- Focus on multi-channel distribution to enhance convenience of client access and employee productivity.
- Expand services to Chicagoland's Hispanic community comprising 1.35 million people.

2000 Accomplishments

- Grew consumer loans by 15%, while total loans increased 12%.
- Introduced Competix service, our industry-leading automated loan approval system, to increase small business lending by 9% and substantially improve small business lending productivity.
- Grew retail and small business deposits by 5%.
- Introduced Harris Wireless service, making Harris one of the first banks to introduce wireless banking service in the United States via mobile phones.
- Grew loans and deposits at strong double-digit rates among our 50,000 Hispanic customers who are served by 20 bilingual branches, a bilingual call centre, a Spanish-language web site and senior Hispanic leadership.

Financial Results

Net income of the Personal and Commercial Client Group, excluding the contribution from the Bank's investment in Bancomer, was $966 million in 2000, compared with $642 million in 1999, an increase of $324 million or 50.6%. Excluding non-recurring items which increased net income by $135 million in 2000 and $18 million in 1999, net income increased $207 million or 33.2% to $831 million.

Revenues for 2000, excluding the contribution from the Bank's investment in Bancomer, were $4,822 million, an increase of $595 million or 14.1%. Excluding non-recurring items, revenues increased $396 million or 9.4%, driven by volume growth, primarily from mortgages, consumer finance, commercial loans and commercial deposits in Canada and in the United States as a result of successful strategic initiatives augmented by a robust economy. Margins improved across most lines of business.

Expense growth of $5 million or 0.2% for the year was the result of business growth and strategic initiative spending, which were almost entirely offset by lower costs resulting from business dispositions and sustained cost control.

The provision for credit losses increased $57 million or 32.8%, primarily due to asset growth, an increase in bankruptcies and the extension of the expected loss provisioning methodology.

Bancomer contributed $56 million to total P&C net income in 2000, which represents a decrease of $54 million from 1999. On June 30, 2000, Bancomer shareholders approved its merger with Grupo Financiero Probursa. With this event, the Bank reduced its ownership interest and adopted the cost basis of accounting, replacing the equity basis of accounting for this investment. Additionally, lower reported earnings from Bancomer also contributed to the decline. At October 31, 2000, the market value of the Bank's investment exceeded its cost base by $181 million, net of a deferred currency translation adjustment of $96 million.

1999 Compared with 1998

Net income of $752 million in 1999 rose $79 million over 1998. Revenue growth of $203 million was driven by strong volume growth across most lines of business and higher revenues from credit card and other fee-related operations, partially offset by the effects of the narrower spreads. Expense growth was the result of ongoing business operations and strategic initiatives.

Personal and Commercial Client Group ($ millions except as noted)

As at or for the year ended October 31	2000	1999*	1998*
Net interest income	**3,083**	2,924	2,845
Other income	**1,804**	1,422	1,298
Total Revenue	**4,887**	4,346	4,143
Provision for credit losses	**231**	174	167
Non-interest expense	**2,958**	2,953	2,816
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill	**1,698**	1,219	1,160
Income taxes	**642**	434	459
Non-controlling interest	**15**	16	11
Amortization of goodwill, net of applicable income tax	**19**	17	17
Net Income	**1,022**	752	673
Net Income comprised of:			
P&C Canada	**850**	614	600
P&C Harris	**116**	28	53
Total, excluding Bancomer	**966**	642	653
Bancomer	**56**	110	20
Net Income	**1,022**	752	673
Average assets	**99,665**	93,756	86,830
Risk-weighted assets	**63,558**	56,863	NA
Average current loans (including securities purchased under resale agreements)	**85,723**	80,438	75,200
Average deposits	**49,601**	49,845	53,015
Assets under administration (a)	**84,723**	61,861	69,905
Full-time equivalent staff	**20,975**	21,272	22,260
Basic return on equity (%)	**22.5**	19.5	19.7
Expense-to-revenue ratio (%)	**60.5**	67.9	68.0

*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.
(a) Excludes assets under administration related to Global Custody.
NA – Not available

P&C – Canada
Number of Branches and In-store Branches

P&C – Canada
Commercial Portfolio* ($ billions)

*Represents average balances in Small Business and Commercial Mid-Market lines of business within P&C – Canada.

Outlook

Canadian economic growth is expected to moderate to a more sustainable pace over the next several years. A slowing economy is expected to dampen deposit and loan growth over the next year. However, the Canadian market is large and profitable, and strong growth rates are expected to continue over the next few years, while the pace of spread compression is expected to level off. The ability of new competitors to enter the Canadian marketplace has increased; however, our large physical distribution network provides a strong competitive advantage. We expect to achieve profitable growth through the launch of new products, penetration of new markets, the migration to lower-cost distribution channels, and by leveraging off our North American scale and knowledge transfer.

In light of our commitment to maximize shareholder value, we expect to realize our investment in Bancomer in an orderly fashion on terms that are most advantageous to our shareholders.

Private Client Group

Group Description

The Private Client Group (PCG) has total assets under management and administration and term deposits of $234 billion and more than 4,700 employees. It brings together all of the Bank of Montreal Group of Companies' wealth management services. Operating as Private Client Group in Canada and under The Harris™1 in the United States, PCG provides North American investors with the tools they need to accumulate, protect and grow their financial assets. PCG offers clients a broad array of products and services including retail investment products, direct and full-service investing, private banking and institutional money management.

Client Profile

PCG serves four key North American market segments. These are the mainstream, affluent, high net worth and institutional markets. Clients can access PCG's services through a variety of channels including Bank of Montreal branches, BMO Nesbitt Burns branches, BMO InvestorLine® service and BMO Harris Private Banking locations in Canada, and, in the United States, through Harris InvestorLine service and Harris Private Bank, as well as through call centres and the Internet.

2000 Objectives

In 2000, the Private Client Group's overall objective was to differentiate itself in the marketplace through a focused approach designed to help clients accumulate, protect and grow financial assets. The goal was to provide clients with choice and flexibility for their wealth management needs. Specifically, PCG wanted to give clients the choice of the high-quality advice of its sales force and/or the ability to act independently using direct channels. This co-ordinated approach allows PCG to offer clients a full suite of investment options and the ability to cross-sell and migrate clients actively between lines of business. The combination of strong brands, highly qualified professionals and a wide range of products and services will help PCG create and sustain the solid foundation required to become a powerful wealth management group. To achieve its objectives, PCG identified a number of key performance indicators. These included:

- Grow assets under management and administration and term deposits by 11.5%.
- Add 375 investment professionals to provide quality advice and pro-active sales within Bank branches.
- Grow business through superior advisory and planning capabilities.
- Create a sophisticated network of wealth management professionals.
- Provide expanded direct access for investing.
- Employ migration strategy across businesses to promote cross-selling of products and services.
- Expand wealth management capabilities in key affluent U.S. markets.
- Build strong brand positioning in Canada and the United States.

2000 Accomplishments

- Assets under management and administration and term deposits of $234 billion grew by $37 billion or 18.8%, reflecting strong growth in our client business.
- Brought together all businesses under the BMO brand in Canada and The Harris brand in the United States.
- Acquired two U.S. direct investing firms – Chicago-based Burke, Christensen & Lewis Securities and Seattle-based Freeman Welwood – bringing the number of accounts in the Bank's North American direct investment program to 420,000.
- Expanded physical distribution network with targeted acquisitions in the most affluent, fastest-growing urban centres in the United States.
- Launched the first Canadian full-service online program – BMO Nesbitt Burns Full-Service OnLine™5 service – offering investors the most comprehensive Internet-based research and investing services in the market.
- Launched BMO Harris Private Banking, providing clients with the first truly integrated North American private banking enterprise.
- Placed 450 new investment professionals in Bank of Montreal branches to provide Bank clients with wealth management expertise.
- Initiated the sale of third-party funds at Bank of Montreal branches, an initiative that stimulated increased sales of BMO Mutual Funds.

2001 Objectives

- Increase the number of investment professionals to 700 in Bank of Montreal branches to provide more points of contact and convenience for our clients.
- Continue to aggressively grow our U.S. wealth management business in fast-growing, affluent, technology-friendly urban centres.
- Complete the integration of all our acquired U.S. companies under The Harris brand.
- Through the new brand, The Harris, continue to build on Harris Bank's long-standing expertise in investment management and trust and estate services in order to develop our wealth management business throughout North America.

Retail Investment Products

The Retail Investment Products group includes the Bank's families of mutual funds (33 BMO Mutual Funds – 47 by December 2000, and 18 Harris Insight®2 Funds – 21 by December 2000) as well as term investment products such as term deposits and guaranteed investment certificates.

2000 Objectives

- Expand the BMO Mutual Fund call centre to include term investment products.
- Provide clients with their choice of access via branches, telephone banking and other electronic distribution channels.

2000 Accomplishments

- Initiated the sale of third-party mutual funds through Custom Select and stimulated proprietary BMO Mutual Fund sales.
- Expanded investment call centre capability to include sales, renewals, and redemptions of term deposits and guaranteed investment certificates.
- Recruited 330 investment fund specialists to the sales force.

Direct Investing

Through BMO InvestorLine and Harris InvestorLine™2, PCG is meeting the rapidly growing demand for direct investment services across North America.

2000 Objectives

- Expand geographical reach within the United States.
- Improve the competitive offering and cost effectiveness of delivery to our clients who prefer alternative delivery channels.
- Create product and service packages that exceed expectations of our preferred client segments.
- Improve the cross-sale of our services through branches and electronic access channels.
- Enhance current and new product and service offerings to attract online clients.

2000 Accomplishments

- Launched first Canadian direct investing fixed income online trading capability through BMO InvestorLine service.
- Maintained industry lead in trade activity per account. Clients trade on average between 25% and 45% more per account than the industry average.
- Held competitive advantage in processing trades electronically. A full 90% of all trades are entered electronically compared to the Canadian industry average of 54%.
- Launched Veev service in Canada and Harris Wireless service in the United States, North America's first wireless financial, investment and lifestyle services.
- Acquired two U.S. direct investing firms – Chicago-based Burke, Christensen & Lewis Securities and Seattle-based Freeman Welwood – bringing the number of the Bank's North American direct investing accounts to 420,000.
- Completed North America-wide branding of InvestorLine service.

Full-Service Investing

BMO Nesbitt Burns' Private Client Division offers full-service investing, research, advisory and insurance services in a financial planning context.

2000 Objectives

- Combine a broad range of investment products with timely advice and high-quality service to affluent investors who prefer the benefits of a full-service advisor.
- Increase hiring and training of investment advisors.

2000 Accomplishments

- Deployed 120 resident investment advisors in Bank of Montreal branches.
- Launched the first Canadian full-service online program – BMO Nesbitt Burns Full-Service OnLine – offering investors the most comprehensive Internet-based research and investing services in the market.
- Launched enhancements to online client information centre, BMO Nesbitt Burns Gateway®3*, by providing electronic access to mutual funds as well as Canadian and U.S. equity research.

Private Banking – Canada

In Canada, banking, trust and investment management services are offered to high net worth clients through a network of BMO Harris Private Banking locations.

2000 Objectives

- Offer affluent Canadians integrated solutions tailored to fit life cycle and life event needs.
- Integrate Private Client Services and Jones Heward Private Client sales and distribution channels.

2000 Accomplishments

- Launched BMO Harris Private Banking, providing clients with the first truly integrated North American private banking enterprise.
- Increased assets under management by more than 25%.
- Consolidated and restructured Jones Heward, The Trust Company of Bank of Montreal and Private Client Services into one integrated, client-focused organization.

Private Banking – United States

Harris Private Bank provides integrated banking, investment management and trust and estate services to its clientele in the United States.

2000 Objectives

- Respond to affluent clients' needs and willingness to pay for top-quality service and products.
- Position Harris to service new market segments in a broader geographic area and provide differentiated products and services.

2000 Accomplishments

- Acquired Village Banc of Naples, Florida and announced our intention to purchase Scottsdale, Arizona-based Century Bank as part of our strategy to expand in high-growth, affluent urban markets in the United States.
- Hired 30 additional sales professionals within the Chicago community banking area.
- Launched *Celebration*, an aggressive advertising campaign, in key U.S. publications including The Wall Street Journal.

Institutional Asset Management

The Bank's institutional asset management business provides traditional money management services for pension funds, endowments, trusts, insurance company reserves, corporate surpluses and BMO-affiliated mutual funds in both Canada and the United States. This line of business also makes managed futures available to retail and institutional clients.

2000 Objectives

- Upgrade money management capabilities in equities to improve position and change pension asset mix.

2000 Accomplishments

- Achieved strong market performance results in traditional money management services.
- Achieved additional marketing and portfolio management capability.
- Improved market position in pension fund management rankings.

Financial Results

Net income of the Private Client Group was $192 million in 2000, compared with $130 million in 1999, an increase of $62 million or 48.0%. Net income reflected growth in full-service and direct investing businesses driven by higher client trading volumes, and increased sales of term investments in retail investment products. The inclusion of an additional month's results from BMO Nesbitt Burns increased net income in 1999 by $1.5 million. The group's net income from normal operations increased 49.8% from the prior year.

Revenues of $1,565 million increased $320 million or 25.7%. The additional month's results from BMO Nesbitt Burns increased revenues in 1999 by $56 million and had the effect of reducing reported revenue growth in 2000 by 6.0%. Revenues from normal operations increased $376 million or 31.7%, driven by higher client-trading volumes in both full-service and direct investing, particularly in the first half of the year. Increased term investment volumes also contributed to higher revenues, while lower trading returns on managed futures limited revenue growth.

Non-interest expenses increased $207 million or 20.7% to $1,211 million. The additional month's results from BMO Nesbitt Burns increased non-interest expenses in 1999 by $53 million and had the effect of reducing reported expense growth in 2000 by 6.7%. Expenses from normal operations increased $260 million or 27.4%, driven by higher revenue-driven compensation, expenses associated with business growth, including growth from acquired operations in the United States, and strategic initiatives spending.

Assets under management and administration and term deposits grew by $37 billion or 18.8% to $234 billion, reflecting strong growth in our client businesses and the effects of acquisitions.

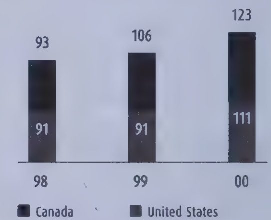
1999 Compared with 1998

Net income of $130 million in 1999 decreased $7 million from 1998. Results for 1999 relative to the prior year were adversely affected by market volatility and investor uncertainty as a result of the rising interest rate environment in the United States. Revenues from normal operations increased marginally as clients moved to relatively lower commission generating products. Additional expenses were incurred to dedicate resources to the alignment of PCG's wealth management business.

Normal Operating Revenue* ($ millions)

*Excludes impact of additional month of BMO Nesbitt Burns revenues in 1999.

Assets under Management & Administration and Term Deposits ($ billions)



Private Client Group ($ millions except as noted)

As at or for the year ended October 31	2000	1999*	1998*
Net interest income	**504**	395	407
Other income	**1,061**	850	779
Total Revenue	**1,565**	1,245	1,186
Provision for credit losses	**1**	–	–
Non-interest expense	**1,211**	1,004	943
Income before provision for income taxes and goodwill	**353**	241	243
Income taxes	**153**	102	98
Amortization of goodwill, net of applicable income tax	**8**	9	8
Net Income	**192**	130	137
Average assets	**4,115**	3,258	3,761
Risk-weighted assets	**4,704**	2,776	NA
Average current loans (including securities purchased under resale agreements)	**2,761**	2,237	1,982
Average deposits	**38,331**	33,829	31,723
Assets under administration	**130,937**	101,953	95,218
Assets under management	**69,353**	60,820	57,040
Full-time equivalent staff	**4,719**	4,221	3,688
Basic return on equity (%)	**37.4**	31.9	35.7
Expense-to-revenue ratio (%)	**77.4**	80.6	79.5

*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.
NA – Not available

Outlook

While the North American economy is expected to grow at a more modest pace over the next few years, the demographic trends continue to point to a strong and growing demand for wealth management services. The Private Client Group is well positioned to continue to capitalize on this trend by leveraging its North American capabilities, which are built on strong foundations in both Canada and the United States. PCG expects to achieve growth in targeted U.S. markets by integrating recent acquisitions and exploring further opportunities. In Canada and the United States, growth will also be achieved through placement of specialized investment professionals in traditional retail banking locations. Providing an integrated approach to meeting clients' needs for wealth accumulation, growth and preservation will continue to be a strategic focus for the coming year.

Investment Banking Group

Group Description

Operating under the BMO Nesbitt Burns and Harris Nesbitt brands, the Investment Banking Group (IBG) offers corporate, institutional and government clients complete financial services, including capital-raising, investment and operating services. Supported by a top-ranked research department, BMO Nesbitt Burns is a leader in mergers and acquisitions advisory, debt and equity underwriting, institutional equity, securitization and export trade finance.

Client Profile

Our corporate, institutional and government clients operate in all sectors in Canada. In the media and telecommunications and energy sectors we serve clients throughout North America. In the U.S. Midwest, under the Harris Nesbitt brand, the Investment Banking Group serves mid-market clients, with a specialization in the agribusiness sector that extends across the United States. The group also serves institutional and government clients in the United Kingdom, Europe and Asia.

2000 Objectives

In 2000, the Investment Banking Group focused on maintaining a leadership position as a broad-based provider of wholesale investment banking services in Canada, while leveraging its capabilities in the media and telecommunications and energy sectors throughout North America. At the same time, the group was committed to building the premier mid-market corporate and investment bank in the U.S. Midwest via Harris Nesbitt. To achieve these goals, IBG identified a number of key performance indicators. These included:

- Provide an integrated offering to U.S. Midwest mid-market clients.
- Build capabilities to become a significant participant in the media and telecommunications and energy sectors.
- Improve cost and profitability performance through reduction of operating expenses, refocusing of client loan portfolio and more efficient use of capital.

2000 Accomplishments

- Brought together the corporate banking business of Harris Bank and the Chicago-based investment banking operations of Nesbitt Burns to form Harris Nesbitt, resulting in a more comprehensive service offering for U.S. Midwest mid-market clients.
- Made a major commitment to media and telecommunications, with the addition of a dedicated team of investment and merchant banking specialists based in New York and the commitment of US$450 million for investment in the sector.
- Initiated a strategy to expand capabilities in the energy sector and recruited a new Houston-based head of the U.S. energy team.
- Reduced risk-weighted assets from $83.6 billion to $72.4 billion.
- Increased credit investment management assets under management for third-party investors by $5.9 billion to $11.4 billion.

2001 Objectives

- Increase credit investment management assets under management by US$5.1 billion to US$12.6 billion.
- Realize further significant reduction in risk-weighted assets.
- Improve profitability of debt capital markets and treasury activities.
- Continue to expand coverage of the highly profitable U.S. Midwest mid-market and related specialty sectors such as agribusiness and asset-based lending.
- Continue to build client relationships in the media and telecommunications and energy sectors.
- Build on our Canadian leadership position in all business sectors.

Investment and Corporate Banking

The Investment and Corporate Banking group offers products and services to address the capital-raising and advisory needs of our corporate, institutional and government clients in all business sectors in Canada, with a North America-wide focus on the media and telecommunications and energy sectors. In the U.S. Midwest, Harris Nesbitt serves mid-market clients, with a specialization in the agribusiness sector across the United States.

2000 Objectives

- Grow U.S.-based business in energy and media and telecommunications.
- Continue to expand Canadian franchise in all business sectors.

2000 Accomplishments

- Launched the US$450 million BMO Nesbitt Burns Halyard Capital Fund™S* for investments in the media and telecommunications sector.
- Increased mergers and acquisition-related revenues to record levels. Advised on several key Canadian transactions such as Air Canada's acquisition of Canadian Airlines and BCE's acquisition of CTV, as well as many cross-border transactions such as BAT PLC's buy-out of Imasco.
- Maintained top tier position in debt and equity underwriting. Lead managed several important IPOs, including Canada Life, Industrial Alliance and 724 Solutions Inc.

Institutional Equity

Operating out of offices in Canada, the United States and Europe, the Institutional Equity team is the top trader and distributor of Canadian equities around the world.

2000 Objective

- Continue to expand leading franchise in Canadian equities.

2000 Accomplishments

- Ranked first for sales service and quality trade service in the 2000 Brendan Wood International Survey.
- Ranked first in overall broker execution in the Reuters Survey of Canadian Company Investment Research, Sales and Trading and Investment Banking.

Equity Research

The Equity Research group's 31 analysts provide timely market analysis and recommendations on over 400 stocks to individual Canadian clients and institutional clients in Canada, the United States, Europe and Asia.

2000 Objectives
- Continue to improve research quality and delivery.
- Cover the entire market to provide a well-diversified portfolio of recommendations.

2000 Accomplishments

- For twenty years, the 2000 Brendan Wood International Survey ranked BMO Nesbitt Burns as Canada's number one research firm.
- Our research web site ranked number one in the 2000 Brendan Wood International Survey.

Capital Markets Group

The Capital Markets group brings together treasury management, corporate finance skills, research and capital markets expertise to produce creative financial solutions. The group serves our North American corporate and institutional clients and provides access to the North American market for selected European and Asian clients.

2000 Objectives
- Leverage advantaged positions, client relationships and balance sheet to deliver the "right" product offering, through the "right" distribution channels with cost-effective execution to the targeted client base.

2000 Accomplishments

- Led the issue of a $500 million 10-year bond for Export Development Corp.
- Served as co-lead on the $1 billion initial debt offering of Hydro One. BMO Nesbitt Burns has had a lead or co-lead role in every corporate issue over $900 million completed in the Canadian market.

Merchant Banking

BMO Nesbitt Burns Equity Partners®3** supports businesses in Canada and the United States through private equity investments as an alternative to accessing the public equity markets.

2000 Objectives
- Sustain increased momentum in private equity.
- Achieve targeted Investment Rate of Return.

2000 Accomplishments

- Invested over $66 million in 2000 in a combination of seven new and follow-on investments and realized over $34 million of cash flow.
- Made significant investments that have provided capital for management buy-outs, expansions and balance sheet restructurings.

Securitization and Credit Investment Management

Serving both issuers and investors, the Securitization and Credit Investment Management group uses credit asset restructuring techniques to provide companies with alternative financings and investors with customized, diversified debt portfolios in a variety of asset and rating classes.

2000 Objectives
- Continue to expand securitization franchise through innovation.
- Lead in investment management performance with management styles tailored to specific investor needs.

2000 Accomplishments

- Remained a leader in Canadian securitization with the number one position in multi-vendor conduits and asset-backed securities/mortgage-backed securities distribution.
- Closed a third and fourth collateralized bond obligation (CBO) deal for US$400 million and US$375 million, respectively.
- The North American group's High Yield CBOs have consistently outperformed the Bear Stearns®8 High Yield Index since 1997.
- Increased credit assets under management for third-party investors by US$3.7 billion to US$7.5 billion.

Global Financial Institutions

The Global Financial Institutions group delivers a comprehensive array of products and services to financial institutions and corporations in more than 70 countries around the world. These include trade finance, capital markets and operating services, as well as non-traditional offerings such as structured trade transactions, credit derivatives and securitization.

2000 Objectives
- Create custom-engineered financial products and services that address the risks inherent in international business.

2000 Accomplishments

- Led the trade finance market in Canada, with the leading market share in Export Letters of Credit.
- Launched a global electronic transaction processing business for trade services such as letters of credit and collections in partnership with Australia and New Zealand Banking Group (ANZ), Barclays and American Management Systems (AMS).

Financial Results

Net income of the Investment Banking Group for 2000 was $632 million, compared with $666 million in 1999, a decrease of $34 million or 5.2%. In 2000, the Bank extended its expected loss provisioning methodology to allocate the provision for credit losses to the operating groups. If this methodology had been applied last year, reported net income in 1999 would have been $38 million lower. In addition, the inclusion of an additional month's results from BMO Nesbitt Burns increased 1999 net income by $9 million. Together, these factors increased fiscal 1999 net income by $47 million, relative to 2000. The group's net income from normal operations rose $13 million or 2.0% from the prior year.

Revenues for the year were $2,368 million, a decrease of $6 million or 0.3%. The extra month's results from BMO Nesbitt Burns in 1999 reduced reported revenue growth in 2000 by $37 million or 1.6%. Revenues from normal operations increased $31 million or 1.3%. Increases in normal operating revenues were attributable to higher advisory fees on mergers and acquisitions, underwriting fees and trading commissions. Equity trading gains and higher gains on securities sales also contributed to the increase. Higher interest rates and a flattening of the yield curve caused a significant reduction in net interest income from interest rate sensitive businesses, primarily international money markets and Harris treasury. Exposure to natural gas price volatility resulted in trading losses on natural gas options of $52 million ($30 million after-tax) in the third quarter of 2000.

Non-interest expenses for the year were $1,169 million, an increase of $20 million or 1.8%. The extra month's results from BMO Nesbitt Burns increased 1999 expenses by $20 million and reduced the reported 2000 growth rate by 1.8%. Normal operating expenses increased $40 million or 3.6% due to higher revenue-driven compensation in units with improved operating results.

1999 Compared with 1998

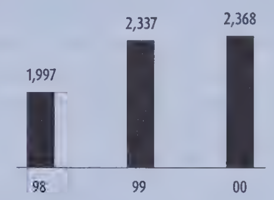
In 1999, net income was $666 million, an increase of $122 million or 22.4% from 1998. Revenues from normal operations were up by $340 million or 17.0%, as a result of the return to more normal capital market conditions from those experienced in 1998. Non-interest expenses from normal operations increased $73 million or 6.9%, driven largely by revenue-driven compensation costs. The 1999 provision for credit losses increased by $89 million, which represented a return to more normal levels following the unusual level of recoveries in 1998.

Investment Banking Group ($ millions except as noted)

As at or for the year ended October 31	2000	1999*	1998*
Net interest income	**1,154**	1,369	1,091
Other income	**1,214**	1,005	906
Total Revenue	**2,368**	2,374	1,997
Provision for credit losses	**151**	101	12
Non-interest expense	**1,169**	1,149	1,056
Income before provision for income taxes and goodwill	**1,048**	1,124	929
Income taxes	**409**	451	378
Amortization of goodwill, net of applicable income tax	**7**	7	7
Net Income	**632**	666	544
Average assets	**137,475**	134,473	139,899
Risk-weighted assets	**72,427**	83,617	NA
Average current loans (including securities purchased under resale agreements)	**58,602**	64,138	58,148
Average securities purchased under resale agreements	**20,163**	29,165	27,176
Average deposits	**64,994**	62,525	66,883
Assets under administration	**4,344**	4,102	4,089
Assets under management	**11,404**	5,508	2,674
Full-time equivalent staff	**2,196**	2,193	2,278
Basic return on equity (%)	**12.4**	13.3	11.0
Expense-to-revenue ratio (%)	**49.4**	48.4	52.9

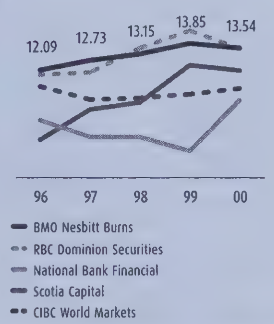
*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.
NA – Not available

Normal Operating Revenue* ($ millions)



*Excludes impact of additional month of BMO Nesbitt Burns revenues in 1999.

Block Trading (%)



Outlook

Canadian economic growth is expected to be 3.5% in 2001, which is less than in 2000 but still healthy. The decline in the growth rate comes as a result of softer U.S. demand and higher interest rates. Short-term interest rates are expected to remain stable, with longer-term rates increasing moderately. As a result, Capital Markets expects stronger performance in 2001. Institutional Equities' overall performance is anticipated to be lower in 2001 than the record-breaking levels experienced in fiscal 2000, although continued solid growth is anticipated in equity derivative products. Economic conditions in 2001 are not anticipated to favour Investment Banking's core underwriting or general advisory activities, although significant growth is anticipated in the energy and media and telecom sectors as well as Harris Nesbitt. Loan quality is expected to remain good.

Harris Bank

Harris Bank, with US$29 billion in assets, is one of the largest community bank networks in Illinois, a nationally-recognized provider of private client and personal trust services, and a premier U.S. Midwest mid-market corporate and investment bank. In 2000, Harris had nearly 130 locations throughout Chicagoland, with 11 additional branches in Arizona and Florida. Together with Bank of Montreal, Harris offers its clients the range of services and depth of expertise of one of the largest financial institutions in North America.

2000 Objectives

In 2000, Harris Bank's goal was to continue to aggressively build value and sustain double-digit growth. In support of these objectives, Harris identified a number of key performance indicators and seeks to:

- Become the dominant full-service bank in the fragmented and underserved Chicagoland marketplace.
- Become the premier mid-market corporate and investment bank in the U.S. Midwest.
- Expand in the U.S. Sunbelt and other fast-growing markets.

2000 Accomplishments

- Achieved strong double-digit earnings growth – and strong revenue growth – in Harris Bank's core businesses of community banking, private client services and mid-market banking, while divesting our low-return corporate trust business.
- Rapidly grew small business, consumer and mortgage loans. Consumer loans, in particular, grew 15% over last year. Harris Bank's retail funding base now totals more than US$10 billion.
- Launched Harris Wireless service, making Harris one of the first banks in the United States to provide banking services via digital mobile phones.
- Established Harris Nesbitt to serve corporate and investment banking mid-market clients across the U.S. Midwest and in specialized markets nationwide.
- Announced two acquisitions – one in Florida and the other in Arizona – to augment our growing private banking, personal trust and wealth management businesses in those regions.
- Introduced BMO Harris Private Banking across North America, which builds on Harris Bank's highly successful, integrated approach to wealth management.

2001 Objectives

- Sustain double-digit earnings growth.
- Through The Harris brand, continue to build on Harris Bank's longstanding expertise in investment management and personal trust services to develop our wealth management business throughout North America.
- Ramp up retail and small business lending, targeting to increase retail and small business loans outstanding by more than US$1 billion per year for the next several years.
- Continue to develop Harris Nesbitt as the premier mid-market corporate and investment banking organization in the U.S. Midwest.

Outlook

The U.S. economy may slow in 2001, which may impact the demand for financial services in general and result in some decline in asset quality from the very high level experienced in recent years. Harris Bank is one of a handful of banks well positioned to take advantage of the opportunity represented by the large, fragmented and underserved market in the Chicago area. With this opportunity, and its expanding distribution of wealth management services in affluent U.S. markets and comprehensive corporate/investment banking service offerings to mid-market companies in the Midwest and beyond, Harris is well positioned for profitable growth.

Financial Results

Harris Bank

Net income of Harris Bank was US$268 million in 2000, compared with US$220 million in 1999, an increase of 21.8%. Excluding a non-recurring US$30 million gain on sale of the Corporate Trust business this year and higher securities gains last year, earnings increased 13.1%. These increased earnings were the result of strong business growth, sustained cost control and continued low credit losses, partially offset by the impact of the higher interest rate environment.

Year 2000 represented the seventh anniversary of the launch of the Harris Bank "Vision 2002" strategy in 1993 – to triple the earnings of the bank to US$300 million by 2002, and triple distribution and market share in the Chicagoland marketplace. Excluding non-recurring items, earnings have grown by an average of 16.0% per annum since 1993, while annual cash-based return on equity has improved from 10.0%–11.0% to the 18.0% range, and cash-based productivity from 74.0% to 62.0% during the period.

1999 Compared with 1998

Net income increased 11.7% to US$220 million from 1998 to 1999. Core earnings, excluding securities gains and the 1998 gain from the sale of the credit card business, were up 17.6%.

Harris Bank (\$US millions, U.S. GAAP)

As at and for the year ended October 31		2000	1999*	1998*
Net interest income		**694**	642	626
Other income		**489**	485	448
Total Revenue		**1,183**	1,127	1,074
Provision for credit losses		**27**	30	36
Non-interest expense		**713**	738	703
Income before provision for income taxes and goodwill		**443**	359	335
Income taxes		**159**	123	121
Amortization of goodwill, net of applicable income tax		**16**	16	17
Net Income		**268**	220	197
Net Income comprised of:	P&C	**121**	55	67
	PCG	**19**	16	17
	IBG	**128**	149	113
Average assets		**27,705**	25,260	22,795

*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.

Corporate Support

Emfisys™

Group Description

Emfisys is an integrated systems and operations business that delivers technology strategy, systems development and implementation, and operational transaction processing services to the Bank of Montreal Group of Companies. Emfisys develops critical new business systems and invests in new business ventures designed to create shareholder value and maintain an enterprise-wide, cost-effective operation.

Key Business Strategies

In 2000, Emfisys continued to build on the framework initiated in 1999 to pro-actively support the Bank's maximization of shareholder value. To that end, Emfisys partnered with clients to provide value-added services, deliver cost or revenue improvements and increase market competitiveness of its businesses, products and service offerings. Emfisys also established a disciplined costing, pricing and billing schedule for its internal clients while successfully attracting and recruiting several hundred information technology professionals to meet customers' strategic and business needs.

2000 Accomplishments

- Expanded the Bank of Montreal Group of Companies' Internet capabilities to become the first bank in North America to deliver integrated anytime, anywhere retail wireless banking, investment and lifestyle services to the Canadian and U.S. markets.
- Partnered with several external firms, such as 724 Solutions Inc., to invest in new value-creating opportunities.
- Delivered a customer information system to manage the profitability of our customer relationships and enhance the distribution of our products and services.
- Initiated commercial-model business practices, including costing, pricing and billing of products and services, and relationship management.
- Implemented changes to various aspects of operating and consulting procedures, systems and processes, which contributed significantly to the Bank of Montreal Group of Companies' cost reduction initiatives.

2001 Objectives

- Create superior value for the Bank, customers and shareholders through realigning most of the Bank's e-business to Emfisys – maximizing the value between our services and product delivery, and partnering with all banking groups on planning, resource allocation and investment.
- Increase market competitiveness, efficiency and quality of service through the creation of new high-growth, high-return businesses, technology investment and innovation, e-business research and development, and the optimization of strategic alliances, partnerships, joint ventures and outsourcing initiatives.
- Expand the enterprise-wide retail customer information system to all service delivery channels to promote high-quality customer service.
- Launch an integrated retail platform.
- Deliver web-enabled services to most lines of business for both customer and employee use.
- Implement an enterprise-wide e-procurement system that lowers processing costs and provides comprehensive information for greater control and better sourcing opportunities.

[1] Excluding non-recurring items that increased net income by $50 million in 2000 and decreased net income by $113 million in 1999, net income increased $14 million year-over-year.

(a) Corporate Support includes any residual revenues and expenses representing the difference between actual amounts incurred and the amounts allocated to operating groups. Corporate Support also includes the impact of corporate asset securitizations as described in more detail on page 13.

Corporate

Group Description

Corporate provides specialized expertise and governance support in areas such as strategic planning, law, finance, economics, real estate, internal audit, risk management, corporate communications, human resources and learning for the Bank of Montreal Group of Companies.

Key Business Strategies

In 2000, Corporate focused on initiatives and activities relevant to all groups and lines of business in order to provide a common framework for decision-making and governance.

2000 Accomplishments

- Continued to refine the Bank's Value Based Management process to ensure business and investment decisions are consistent and rigorously reviewed.
- Completed a broad review of all facets of risk management and developed and introduced new models and methodologies.
- Developed and implemented key managerial leadership program to support the Bank's overall growth strategy.
- Strengthened the Bank's financial governance framework.

2001 Objectives

- Continue to develop state-of-the-art risk management processes with a particular focus on improving the quality of risk and control management information for each line of business.
- Continue to broaden the range and reach of the Institute for Learning through a distinctive focus on people leadership and by using technology to provide learning anytime and anywhere.
- Continue to communicate and negotiate with legislators regarding the federal government's initiative on improved structural flexibility in the Canadian financial services industry.
- Implement a single financial reporting infrastructure.
- Continue to communicate and implement enterprise governance standards and monitor compliance.
- Implement an enterprise-wide risk and control self-assessment process within lines of business.

Financial Results

Corporate Support ($ millions except as noted) (a)

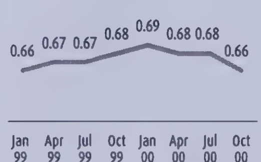
As at or for the year ended October 31	2000[1]	1999*	1998*
Net interest income	**(403)**	(271)	(191)
Other income	**247**	234	135
Total Revenue	**(156)**	(37)	(56)
Provision for credit losses	**(25)**	45	(49)
Non-interest expense before restructuring charge	**(37)**	41	(30)
Restructuring charge	**(43)**	141	–
Total non-interest expense	**(80)**	182	(30)
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill	**(51)**	(264)	23
Income taxes	**(81)**	(113)	3
Non-controlling interest	**4**	5	14
Amortization of goodwill net of applicable income tax	**15**	10	10
Net Income	**11**	(166)	(4)
Full-time equivalent staff	**5,310**	5,158	5,174

*Restated to give effect to the current year's organization structure and presentation changes as outlined on page 29.

Economic and Financial Services Developments

Canadian and U.S. Unemployment Rates (%)

U.S./Canadian Dollar Exchange Rates ($)



Annual Growth in Gross Domestic Product (%)

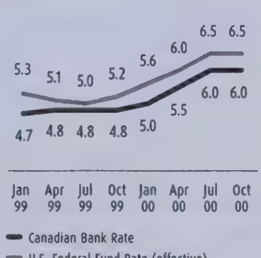
	1999	**2000***	Forecast 2001*
Canada	4.5	**5.0**	3.5
United States	4.2	**5.1**	3.0

*Estimates for the year ending December 31

Unemployment Rate
(annual average)

	1999	**2000**	Forecast 2001
Canada	7.6	**6.8**	6.8
United States	4.2	**4.0**	4.3

Canadian and U.S. Interest Rates (%)



Highlights

- Economic growth in Canada and the United States is expected to slow in 2001
- Interest rates are expected to remain steady in the United States and in Canada
- The Canadian dollar is expected to strengthen against the U.S. dollar

Canadian and U.S. Economic and Financial Services Developments in 2000

Canada's economy remained strong in 2000, likely growing close to 5%. Domestic demand was led by surging business investment in computing equipment. Consumer spending remained healthy, buoyed by rising incomes. Exports scaled new heights, benefiting from strong U.S. demand and a low currency. The jobless rate fell to a quarter-century low in the summer. Despite firmer labour markets, underlying inflation remained tame. The Bank of Canada has been inactive after raising rates by 125 basis points from November 1999 to May 2000. The Canadian dollar, though softening against the U.S. dollar, has strengthened against most other major currencies.

In this favorable macroeconomic environment, the demand for loans by Canadian businesses and households has gained pace in fiscal 2000. Particularly large increases occurred for business loans in excess of $5 million and for leasing receivables. With respect to households, strong growth in purchases of durables — such as cars, furniture and appliances — led to an acceleration of consumer loans (excluding cards) and continued very large growth in card balances. Rising employment and healthy gains in personal and business income kept loan quality at a high level.

The U.S. economy accelerated in 2000, with real GDP growth likely topping 5%. Rapid growth in jobs and incomes spurred consumer spending. Business investment in communications and computing equipment soared in the year. The lengthy expansion — now in its tenth year — reduced the unemployment rate to a 30-year low. Although tight labour markets have boosted wages, soaring productivity and intense competition have held underlying inflation in check. The Federal Reserve Board has remained inactive after lifting rates by 175 basis points from June 1999 to May 2000. Loan growth and quality remained high in fiscal 2000.

Economic and Financial Services Outlook for 2001

More moderate gains in equity markets are projected to slow the U.S. economy to a pace of 3.0% next year. With the economy growing modestly, the jobless rate should edge higher. Short-term interest rates are expected to remain stable while longer-term interest rates will likely rise modestly. Past increases in interest rates will dampen business investment and purchases of consumer durables, slowing the forward momentum of loans. While loan quality should remain good, the ratio of loan loss provisions to outstanding loan balances could rise moderately from current low levels as slower growth in sales and incomes exerts pressure on some highly leveraged businesses and individuals.

Past increases in interest rates alongside softer U.S. demand will slow the Canadian economy in 2001, albeit to a still-solid pace of 3.5%. The unemployment rate should remain stable. Inflation will likely decline as a result of spare economic capacity, stronger productivity growth and moderating energy prices. Interest rates are expected to remain fairly stable. The Canadian dollar should recover from recent weakness against the U.S. dollar amid supportive Canadian trade flows. We expect household and business loan growth to soften. Loan quality should generally remain good.

Consolidated Financial Statements

This section of the Annual Report presents our Consolidated Financial Statements for the year ended October 31, 2000, Statement of Management's Responsibility for Financial Information and Shareholders' Auditors' Report.

The audited Consolidated Financial Statements present our financial condition as at October 31, 2000 and 1999 and results of our operations for the years ended October 31, 2000, 1999 and 1998. The accompanying Notes to Consolidated Financial Statements provide further financial detail and include the significant accounting policies underlying the financial information reported.

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Consolidated Balance Sheet

As at October 31 (Canadian $ in millions)	2000	1999
Assets		
Cash Resources (note 2)	**$ 18,508**	$ 24,036
Securities (notes 3 & 5)		
Investment (market value $24,654 in 2000 and $25,487 in 1999)	**24,469**	26,027
Trading	**21,994**	17,246
	46,463	43,273
Loans (notes 4, 5 & 6)		
Residential mortgages	**39,485**	38,189
Consumer instalment and other personal loans	**18,038**	16,912
Credit card loans	**1,407**	1,160
Loans to businesses and governments	**60,176**	57,998
Securities purchased under resale agreements	**16,308**	25,090
	135,414	139,349
Allowance for credit losses	**(1,597)**	(1,348)
	133,817	138,001
Other		
Customers' liability under acceptances	**8,630**	6,753
Premises and equipment (note 7)	**2,171**	2,228
Other assets (note 8)	**23,807**	16,324
	34,608	25,305
Total Assets	**$ 233,396**	$ 230,615
Liabilities and Shareholders' Equity		
Deposits (note 10)		
Banks	**$ 23,385**	$ 30,398
Businesses and governments	**69,454**	65,459
Individuals	**63,858**	61,017
	156,697	156,874
Other Liabilities (note 11)		
Acceptances	**8,630**	6,753
Securities sold but not yet purchased	**9,353**	10,450
Securities sold under repurchase agreements	**19,749**	24,177
Other	**22,115**	16,668
	59,847	58,048
Subordinated Debt (note 12)	**4,911**	4,712
Shareholders' Equity		
Share capital (note 13)	**4,854**	4,858
Retained earnings	**7,087**	6,123
	11,941	10,981
Total Liabilities and Shareholders' Equity	**$ 233,396**	$ 230,615

The accompanying notes to consolidated financial statements are an integral part of this statement.

F. Anthony Comper
Chairman and Chief Executive Officer

Jeremy H. Reitman
Chairman, Audit Committee

Consolidated Statement of Income

For the Year Ended October 31 (Canadian $ in millions except per share amounts)	2000	1999	1998
Interest, Dividend and Fee Income			
Loans	**$ 10,404**	$ 9,656	$ 10,015
Securities (note 3)	**2,854**	2,449	2,595
Deposits with banks	**1,045**	1,069	1,511
	14,303	13,174	14,121
Interest Expense			
Deposits	**7,426**	6,328	7,254
Subordinated debt	**350**	339	331
Other liabilities	**2,323**	2,228	2,512
	10,099	8,895	10,097
Net Interest Income	**4,204**	4,279	4,024
Provision for credit losses	**358**	320	130
Net Interest Income After Provision for Credit Losses	**3,846**	3,959	3,894
Other Income			
Deposit and payment service charges	**646**	616	558
Lending fees	**322**	329	290
Capital market fees	**1,069**	841	869
Card services	**216**	205	196
Investment management and custodial fees	**373**	419	407
Mutual fund revenues	**232**	207	199
Trading revenues	**388**	295	40
Securitization revenues (note 6)	**343**	296	158
Other fees and commissions	**737**	303	401
	4,326	3,511	3,118
Net Interest and Other Income	**8,172**	7,470	7,012
Non-Interest Expense			
Salaries and employee benefits	**3,065**	2,820	2,574
Premises and equipment	**1,071**	1,123	972
Communications	**259**	268	266
Other expenses	**883**	915	949
	5,278	5,126	4,761
Amortization of intangible assets (note 8)	**23**	21	24
	5,301	5,147	4,785
Restructuring charge (note 14)	**(43)**	141	–
Total non-interest expense	**5,258**	5,288	4,785
Income Before Provision for Income Taxes, Non-Controlling Interest in Subsidiaries and Goodwill	**2,914**	2,182	2,227
Income taxes (note 15)	**989**	736	810
	1,925	1,446	1,417
Non-controlling interest	**19**	21	25
Net Income Before Goodwill	**1,906**	1,425	1,392
Amortization of goodwill, net of applicable income tax (notes 8 & 15)	**49**	43	42
Net Income	**$ 1,857**	$ 1,382	$ 1,350
Preferred dividends	**$ 101**	$ 117	$ 112
Net income before goodwill available to common shareholders	**$ 1,805**	$ 1,308	$ 1,280
Net income available to common shareholders	**$ 1,756**	$ 1,265	$ 1,238
Average common shares outstanding (in thousands)	**265,659**	265,862	262,511
Net Income Per Common Share Before Goodwill (note 16)			
Basic	**$ 6.79**	$ 4.92	$ 4.88
Fully diluted	**6.74**	4.88	4.81
Net Income Per Common Share (note 16)			
Basic	**6.61**	4.76	4.72
Fully diluted	**6.56**	4.72	4.66
Dividends Per Common Share	**2.00**	1.88	1.76

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended October 31 (Canadian $ in millions)	Number of Shares 2000	Number of Shares 1999	Number of Shares 1998	2000	1999	1998
Preferred Shares (note 13)						
Balance at beginning of year				**$ 1,668**	$ 1,958	$ 1,274
Proceeds from the issue of preferred shares				**–**	–	650
Redemption of preferred shares				**–**	(272)	–
Translation adjustment on shares issued in a foreign currency				**13**	(18)	34
Balance at End of Year				**1,681**	1,668	1,958
Common Shares (note 13)						
Balance at beginning of year	**267,032,100**	264,433,198	261,436,344	**3,190**	3,095	3,019
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**686,636**	523,641	399,155	**37**	31	29
Issued under the Stock Option Plan	**957,641**	674,500	269,600	**35**	21	9
Issued on the exchange of shares of subsidiary corporations	**479,570**	1,400,761	2,328,099	**6**	43	38
Repurchased for cancellation	**(7,864,000)**	–	–	**(95)**	–	–
Balance at End of Year	**261,291,947**	267,032,100	264,433,198	**3,173**	3,190	3,095
Retained Earnings						
Balance at beginning of year				**6,123**	5,555	4,610
Net income				**1,857**	1,382	1,350
Dividends – Preferred shares				**(101)**	(117)	(112)
– Common shares				**(530)**	(500)	(463)
Unrealized gain (loss) on translation of net investment in foreign operations, net of hedging activities and applicable income tax				**143**	(172)	178
Costs of proposed merger, net of applicable income tax				**–**	(25)	–
Share issue expense, net of applicable income tax				**–**	–	(8)
Common shares repurchased for cancellation				**(405)**	–	–
Balance at End of Year				**7,087**	6,123	5,555
Total Shareholders' Equity				**$ 11,941**	$ 10,981	$ 10,608

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Cash Flow

For the Year Ended October 31 (Canadian $ in millions)	2000	1999	1998
Cash Flows from Operating Activities			
Net income	**$ 1,857**	$ 1,382	$ 1,350
Adjustments to determine net cash flows			
Provision for credit losses	**358**	320	130
Amortization of premises and equipment	**402**	412	318
Amortization of intangible assets	**33**	32	35
Amortization of goodwill	**54**	49	48
Write-down of investment securities	**16**	93	–
Restructuring charge	**(43)**	128	–
Future income tax expense	**131**	(82)	16
Net (gain) on sale of investment securities	**(199)**	(8)	(97)
Change in accrued interest			
(Increase) decrease in interest receivable	**(202)**	344	(387)
Increase in interest payable	**182**	84	137
Net increase (decrease) in deferred loan fees	**1**	(28)	50
Net (increase) decrease in unrealized gains and amounts receivable on derivative contracts	**(4,402)**	2,957	(5,897)
Net increase (decrease) in unrealized losses and amounts payable on derivative contracts	**4,313**	(3,104)	5,687
Net (increase) decrease in trading securities	**(4,748)**	1,545	4,066
Net increase (decrease) in current income taxes payable	**(423)**	608	(391)
Changes in other items and accruals, net	**(324)**	(396)	(1,980)
Net Cash Provided by (Used in) Operating Activities	**(2,994)**	4,336	3,085
Cash Flows from Financing Activities			
Net increase (decrease) in deposits	**(905)**	12,891	(229)
Net increase (decrease) in securities sold but not yet purchased	**(1,097)**	2,607	(2,461)
Net increase (decrease) in securities sold under repurchase agreements	**(4,428)**	(5,581)	8,369
Net increase (decrease) in liabilities of subsidiaries	**(1,219)**	1,282	(1,166)
Proceeds from issuance of securities of a subsidiary	**350**	–	–
Proceeds from issuance of subordinated debt	**300**	–	1,090
Repayment of subordinated debt	**(150)**	(10)	(235)
Proceeds from issuance of preferred shares	**–**	–	650
Redemption of preferred shares	**–**	(272)	–
Proceeds from issuance of common shares	**78**	95	76
Common shares repurchased for cancellation	**(500)**	–	–
Dividends paid	**(631)**	(617)	(575)
Costs of proposed merger	**–**	(25)	–
Net Cash Provided by (Used in) Financing Activities	**(8,202)**	10,370	5,519
Cash Flows from Investing Activities			
Net (increase) decrease in interest bearing deposits with banks	**5,253**	(4,849)	12,826
Purchase of investment securities	**(31,524)**	(32,497)	(55,474)
Maturities of investment securities	**24,299**	21,173	21,746
Proceeds from sales of investment securities	**8,966**	9,525	28,081
Net (increase) in loans and loan substitute securities	**(6,322)**	(11,193)	(15,548)
Proceeds from securitization of assets	**1,837**	494	9,650
Net (increase) decrease in securities purchased under resale agreements	**8,782**	2,430	(9,003)
Premises and equipment – net purchases	**(345)**	(329)	(571)
Acquisition of businesses	**(25)**	(3)	–
Net Cash Provided by (Used in) Investing Activities	**10,921**	(15,249)	(8,293)
Net Increase (Decrease) in Cash and Cash Equivalents	**(275)**	(543)	311
Cash and Cash Equivalents at Beginning of Year	**2,419**	2,962	2,651
Cash and Cash Equivalents at End of Year	**$ 2,144**	$ 2,419	$ 2,962
Represented by:			
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 1,219**	$ 1,261	$ 1,478
Cheques and other items in transit, net	**925**	1,158	1,484
	$ 2,144	$ 2,419	$ 2,962
Supplemental Disclosure of Cash Flow Information			
Amount of interest paid in the year	**$ 9,917**	$ 8,811	$ 9,960
Amount of income taxes paid in the year	**1,123**	361	942

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements (Canadian $ in millions, unless otherwise stated)

Note 1 Basis of Presentation

We prepare our consolidated financial statements in accordance with Canadian generally accepted accounting principles including the accounting requirements of our regulator, the Superintendent of Financial Institutions Canada.

In addition, our consolidated financial statements comply with the disclosure requirements of United States generally accepted accounting principles. The more significant differences in consolidated total assets, total liabilities or net income arising from applying United States generally accepted accounting principles are described in note 23.

Basis of Consolidation

We conduct business through a variety of corporate structures, including subsidiaries and joint ventures. Subsidiaries are those where we exercise control through our ownership of the majority of the voting shares. Joint ventures are those where we exercise joint control through an agreement with other shareholders. All of the assets, liabilities, revenues and expenses of our subsidiaries and our proportionate share of the assets, liabilities, revenues and expenses of our joint ventures are included in our consolidated financial statements.

All significant intercompany transactions and balances are eliminated.

Trust assets under administration are maintained separately from our assets and are not included in our Consolidated Balance Sheet.

Translation of Foreign Currencies

We conduct business in a variety of foreign currencies and report our consolidated financial statements in Canadian dollars. Assets and liabilities related to foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expense amounts related to these transactions are translated using the average exchange rate for the year. The realized and unrealized gains and losses arising from these translations are included in other income in our Consolidated Statement of Income.

We have various investments in foreign operations which are denominated in foreign currencies. Unrealized gains and losses arising from translating investments into Canadian dollars are included in shareholders' equity in our Consolidated Balance Sheet. All realized translation gains and losses related to our foreign operations are recognized in other income.

From time to time, we enter into foreign exchange hedge contracts to reduce our exposure to changes in the value of foreign currencies. The gain or loss on the translation of the hedge contract is offset against the realized or unrealized gain or loss on the translation of the item being hedged and is included in other income or retained earnings.

Use of Estimates

In preparing our consolidated financial statements we must make estimates and assumptions, mainly concerning values, which affect reported amounts of assets, liabilities, net income and related disclosures. Actual results could differ from these estimates.

Specific Accounting Policies

To facilitate a better understanding of our consolidated financial statements we have disclosed our significant accounting policies throughout the following notes with the related financial disclosures by major caption.

Changes in Accounting Policies

New accounting policies issued by standard setters are described in notes 16, 17 and 23.

Note 2 Cash Resources

Deposits with Banks

Deposits with banks are recorded at cost and include acceptances which we have purchased that have been issued by other banks. Interest income earned on these deposits is recorded on an accrual basis.

Cheques and Other Items in Transit, Net

Cheques and other items in transit are recorded at cost and represent the net position of the uncleared cheques and other items in transit between us and other banks.

	2000	1999
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 1,219**	$ 1,261
Interest bearing deposits with banks	**16,364**	21,617
Cheques and other items in transit, net	**925**	1,158
Total	**$ 18,508**	$ 24,036

Cash Restrictions

We have a number of banking subsidiaries whose cash is available for use in their own business and may not be used by other related corporations.

In addition, some of our subsidiaries are required to maintain reserves or minimum balances with central banks in their respective countries of operation amounting to $462 as at October 31, 2000 and $401 as at October 31, 1999.

Note 3 Securities

Securities are divided into two components, each with a different purpose and accounting treatment. The two types of securities we hold are as follows:

- **Investment securities** are comprised of equity and debt securities that we purchase with the intention of holding until maturity or until market conditions, such as a change in interest rates, provide us with a better investment opportunity. Equity securities are recorded at cost and debt securities at amortized cost. Our investments in equity securities where we exert significant influence, but not control, over a corporation, are recorded at cost and adjusted for our proportionate share of the corporation's net income or loss, net of adjustments for the amortization of goodwill that arose at the time we acquired our interest in the investment. When we identify a decline in value that is other than temporary, the affected securities are written down to their fair value. Any write-downs or gains and losses on the disposal of our investment securities are recorded in the year they occur and are included in our Consolidated Statement of Income as either an increase or decrease in other income. Gains and losses on disposal are calculated using the average cost of the securities sold. Investment securities of designated countries are accounted for in accordance with our accounting policy for loans which is described in note 4.
- **Trading securities** are securities that we purchase for resale over a short period of time. We report these securities at their market value and record the mark-to-market adjustments and any gains and losses on the sale of these securities in our Consolidated Statement of Income in other income.

We did not own any securities issued by a single non-government entity where the book value, as at October 31, 2000 or October 31, 1999, was greater than 10% of our shareholders' equity.

	Within 1 year	Yield %	1 to 3 years	Yield %	3 to 5 years	Yield %	5 to 10 years	Yield %	Over 10 years	Yield %	2000 Total book value	Yield %	1999 Total book value
	Term to maturity												
Investment Securities													
Issued or guaranteed by:													
Canadian federal government	$ 980	5.70	$ 150	5.82	$ 98	5.88	$ –	–	$ –	–	$ 1,228	5.73	$ 2,151
Canadian provincial and municipal governments	211	5.97	31	5.93	–	–	–	–	–	–	242	5.96	205
U.S. federal government	1,104	5.81	1,212	5.53	3	7.68	967	5.42	–	–	3,286	5.59	4,575
U.S. states, municipalities and agencies	3,490	6.26	2,247	6.88	778	7.04	446	6.86	482	6.67	7,443	6.59	6,175
Designated countries	–	–	–	–	–	–	–	–	–	–	–	–	29
Other governments	56	5.29	68	5.89	20	6.10	13	5.69	–	–	157	5.69	246
Mortgage-backed securities and collateralized mortgage obligations	–	–	102	6.54	–	–	36	7.55	3,605	6.67	3,743	6.67	3,523
Corporate debt	373	6.13	608	6.15	656	7.48	2,534	7.42	1,253	6.58	5,424	7.00	6,367
Corporate equity	237	8.60	596	8.53	363	9.47	516	6.82	1,234	2.08	2,946	5.65	2,756
Total investment securities	6,451	6.16	5,014	6.60	1,918	7.58	4,512	6.86	6,574	5.79	24,469	6.39	26,027
Trading Securities													
Issued or guaranteed by:													
Canadian federal government	1,347		1,242		392		1,029		407		4,417		4,088
Canadian provincial and municipal governments	336		116		90		258		391		1,191		1,601
U.S. federal government	2,190		645		45		253		187		3,320		2,670
U.S. states, municipalities and agencies	–		–		22		159		301		482		431
All other	1,592		133		136		628		10,095		12,584		8,456
Total trading securities	5,465		2,136		685		2,327		11,381		21,994		17,246
Total Securities	**$ 11,916**		**$ 7,150**		**$ 2,603**		**$ 6,839**		**$ 17,955**		**$ 46,463**		$ 43,273

Yields in the table above are calculated using the book value of the security and the contractual interest or stated dividend rates associated with each security adjusted for any amortization of premiums and discounts and any country risk provision associated with a particular security. Tax effects are not taken into consideration.

Securities of designated countries include any securities that we receive as part of a debt restructuring by a foreign country. They are recorded net of any country risk allowance (note 5) that we have allocated to these securities.

The term to maturity included in the table above is based on the contractual maturity date of the security. Securities with no maturity date are included in the over 10 years category.

Corporate equity includes our investment in Grupo Financiero BBVA Bancomer. We accounted for this investment using the equity method until June 30, 2000, after which time we no longer had significant influence and began accounting for the investment on a cost basis.

Interest income and gains and losses from securities are:

	2000	1999	1998
Reported in:			
Interest, dividend and fee income			
Investment securities	**$ 1,949**	$ 1,527	$ 1,258
Trading securities	**905**	922	1,337
	$ 2,854	$ 2,449	$ 2,595
Other Income			
Investment securities			
Gross realized gains	**$ 245**	$ 69	$ 121
Gross realized losses	**(46)**	(61)	(24)
Write-downs	**(16)**	(93)	–
Net realized and unrealized gains (losses)	**$ 183**	$ (85)	$ 97
Trading securities, net realized and unrealized gains (losses)	**$ 166**	$ (15)	$ (93)

Interest expense is not included in the amounts shown above.

Unrealized Gains and Losses

	2000 Book value	2000 Gross unrealized gains	2000 Gross unrealized losses	2000 Market value	1999 Book value	1999 Gross unrealized gains	1999 Gross unrealized losses	1999 Market value
Investment Securities								
Issued or guaranteed by:								
Canadian federal government	**$ 1,228**	**$ 12**	**$ 5**	**$ 1,235**	$ 2,151	$ 13	$ 3	$ 2,161
Canadian provincial and municipal governments	**242**	**6**	**–**	**248**	205	11	–	216
U.S. federal government	**3,286**	**–**	**54**	**3,232**	4,575	1	58	4,518
U.S. states, municipalities and agencies	**7,443**	**2**	**32**	**7,413**	6,175	4	39	6,140
Designated countries	**–**	**–**	**–**	**–**	29	16	–	45
Other governments	**157**	**–**	**–**	**157**	246	11	1	256
Mortgage-backed securities and collateralized mortgage obligations	**3,743**	**–**	**139**	**3,604**	3,523	–	175	3,348
Corporate debt	**5,424**	**43**	**160**	**5,307**	6,367	50	153	6,264
Corporate equity	**2,946**	**588**	**76**	**3,458**	2,756	54	271	2,539
Total	**$ 24,469**	**$ 651**	**$ 466**	**$ 24,654**	$ 26,027	$ 160	$ 700	$ 25,487

The market value of a security is based on the quoted market price at each year end. This price may not necessarily be what we would receive if we were to sell the security.

We use a variety of valuation techniques to estimate the market value when there is no readily available quoted market price for a particular security.

Note 4 Loans

Loans

All loans are recorded at cost net of any unearned interest, unamortized discounts and allowance for credit losses. Interest income is recorded on an accrual basis except for impaired loans, the treatment of which is described below. From time to time we will restructure a loan due to the poor financial condition of the borrower. Interest on these restructured loans is recorded on an accrual basis unless we consider the loan to be impaired.

Securities purchased under resale agreements represent the amounts we will receive as a result of our commitment to resell securities that we have purchased, back to the original sellers, on a specified date at a specified price. We account for these instruments as loans.

Loan Fees

Loan fees are received for a variety of reasons. The accounting treatment for these fees varies depending on the transaction. The unrecognized portion of all loan fees is included in other liabilities in our Consolidated Balance Sheet. Loan syndication fees are included in other income when they are earned. Loan origination, restructuring, renegotiation and commitment fees are recognized as interest income over the term of the loan unless we believe that the loan commitment we provide to our customer will not be used. In this case, we recognize the loan commitment fee over the commitment period.

Impaired Loans

We classify loans, except credit card and consumer instalment loans, as impaired when any of the following criteria are met:

- we are unlikely to collect the principal or interest owed to us on a timely basis; or
- the principal or interest payments are 90 days past due unless we are actively trying to collect the loan and it is fully secured; or
- fully secured loans become 180 days past due; or
- we consider it prudent or appropriate to cease accruing interest on the loan.

Credit card loans are immediately classified as impaired and written off when principal or interest payments become 180 days past due. Consumer instalment loans are immediately classified as impaired when the principal or interest payments are 90 days past due and are written off when they are past due by one year.

We do not accrue interest when we classify a loan as impaired and any interest income that is accrued and unpaid is reversed to interest income.

The interest income that we would have recognized over the past three years if we had not classified loans as impaired is:

	2000	1999	1998
Interest income that would have been accrued at original contract rates	**$ 105**	$ 50	$ 51
Less: amount recognized as interest income	**(2)**	(5)	(8)
Total	**$ 103**	$ 45	$ 43

Any payments received on a loan that has been classified as impaired are recorded first to recover any previous write-offs or allowances before income is recognized. Any payments that we receive on impaired consumer instalment loans and loans to designated countries are applied first to the outstanding interest and then to the remaining principal amount.

Any property or other assets that we receive from our borrowers to satisfy their loan commitments to us are classified as impaired and recorded at the lower of the amount we expect to recover and the outstanding balance of the loan at the time the customer transfers the asset to us.

A loan will be reclassified back to performing status if new circumstances arise which cause us to believe that our principal and interest will be recovered in a timely manner from the borrower.

No loans classified as performing were restructured in the year ended October 31, 2000 and $3 of such loans were restructured in the year ended October 31, 1999. No restructured loans were written off in the years ended October 31, 2000 and October 31, 1999.

The following table sets out the outstanding gross and impaired amounts of loans and acceptances:

			Impaired loans and acceptances									
	Gross amount		Impaired amount		Specific allowance		Impaired amount less specific allowance		General and country risk allowance		Net amount	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Residential mortgages	**$ 39,485**	$ 38,189	**$ 144**	$ 133	**$ 6**	$ 4	**$ 138**	$ 129	**$ –**	$ –	**$ 138**	$ 129
Credit card, consumer instalment and other personal loans	**19,445**	18,072	**53**	56	**5**	8	**48**	48	**–**	–	**48**	48
Loans to businesses and governments	**60,176**	57,998	**1,297**	862	**506**	360	**791**	502	**–**	6	**791**	496
Securities purchased under resale agreements	**16,308**	25,090	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	135,414	139,349	**1,494**	1,051	**517**	372	**977**	679	**–**	6	**977**	673
Acceptances	**8,630**	6,753	**7**	41	**–**	–	**7**	41	**–**	–	**7**	41
Non-sectoral	**–**	–	**–**	–	**–**	–	**–**	–	**1,080**	970	**(1,080)**	(970)
Total	**$ 144,044**	$ 146,102	**$ 1,501**	$ 1,092	**$ 517**	$ 372	**$ 984**	$ 720	**$ 1,080**	$ 976	**$ (96)**	$ (256)

The following table sets out the outstanding amounts that we have classified as impaired:

	Canada		United States		Other countries		Total	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Residential mortgages	**$ 144**	$ 133	**$ –**	$ –	**$ –**	$ –	**$ 144**	$ 133
Consumer instalment and other personal loans	**51**	53	**2**	3	**–**	–	**53**	56
Loans to businesses and governments	**559**	437	**662**	317	**76**	108	**1,297**	862
Acceptances	**7**	41	**–**	–	**–**	–	**7**	41
Total impaired loans and acceptances	**761**	664	**664**	320	**76**	108	**1,501**	1,092
Allowance for credit losses	**(1,170)**	(963)	**(382)**	(335)	**(45)**	(50)	**(1,597)**	(1,348)
Total net impaired loans and acceptances	**$ (409)**	$ (299)	**$ 282**	$ (15)	**$ 31**	$ 58	**$ (96)**	$ (256)
Average net impaired loans and acceptances	**$ (379)**	$ (339)	**$ 109**	$ 14	**$ 40**	$ 58	**$ (230)**	$ (267)
Average gross impaired loans and acceptances	**$ 692**	$ 593	**$ 450**	$ 297	**$ 84**	$ 91	**$ 1,226**	$ 981

	Canada			United States			Other countries			Total		
	2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Gross interest income received on impaired loans and acceptances	**$ 27**	$ 28	$ 23	**$ 18**	$ 44	$ 41	**$ 1**	$ 46	$ 15	**$ 46**	$ 118	$ 79
Interest income received on impaired loans and acceptances, net of interest reversals	**$ 6**	$ 12	$ 5	**$ 14**	$ 41	$ 40	**$ 1**	$ 46	$ 15	**$ 21**	$ 99	$ 60

Designated countries are determined by the Superintendent of Financial Institutions Canada as having difficulty in servicing all or part of their external debt to commercial banks. We did not have any net impaired loans to designated countries as at October 31, 2000 or October 31, 1999. None of the gross exposure to designated countries was classified as impaired as at October 31, 2000 and approximately 5% was classified as impaired as at October 31, 1999.

Included in impaired loans is other real estate owned and securities received from customers in satisfaction of their loans totalling $12 as at October 31, 2000 and $40 as at October 31, 1999.

Fully secured loans with past due amounts between 90 and 180 days that we have not classified as impaired totalled $52 as at October 31, 2000 and $54 as at October 31, 1999.

Credit Instruments

As an integral part of our credit-granting practices, we enter into various legally binding commitments to provide our customers with credit. These commitments include:

- Guarantees and standby letters of credit which represent our obligation to make payments to third parties on behalf of our customers if our customers are unable to make the required payments or meet other contractual requirements;
- Securities lending which represents our credit exposure when we lend our securities, or our customers' securities, to third parties;
- Documentary and commercial letters of credit which represent our agreement to honour drafts presented by a third party upon completion of specific activities;
- Commitments to extend credit to our customers in the form of loans or other financings for specific amounts and maturities, subject to meeting certain conditions.

In making these commitments, we expose ourselves to credit risk, being the risk that we may incur a loss if a counterparty fails to meet its obligations.

Summarized below is the contractual and risk-weighted equivalent value of our various commitments, which are based on the rules for capital adequacy of the Superintendent of Financial Institutions Canada. The risk-weighted equivalent value is used in the ongoing assessment of our capital adequacy ratios.

	2000		1999	
	Contract amount	**Risk-weighted equivalent**	Contract amount	Risk-weighted equivalent
Credit Instruments				
Guarantees and standby letters of credit	**$ 11,810**	**$ 8,320**	$ 13,218	$ 8,515
Securities lending	**1,616**	**156**	9,818	977
Documentary and commercial letters of credit	**698**	**113**	731	115
Commitments to extend credit:				
Original maturity of one year and under	**76,353**	**–**	70,073	–
Original maturity of over one year	**29,766**	**11,533**	32,534	15,677
Total	**$ 120,243**	**$ 20,122**	$ 126,374	$ 25,284

Commitments to extend credit in respect of consumer instalment and credit card loans are excluded as the lines are revocable at our discretion.

Note 5 Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider to be adequate to absorb probable credit losses in our on- and off-balance sheet portfolios.

The provision for credit losses is recorded in our Consolidated Statement of Income. It is based on statistical analysis and management judgement and represents the appropriate expense based upon the composition of our credit portfolios, their probability of default, the economic environment and the allowance for credit losses already established.

We maintain the following allowances:

Specific Allowances

These allowances are recorded for specific loans to reduce their book value to the amount we expect to recover from the loans. We review our loans and acceptances, other than consumer instalment and credit card loans, at least quarterly, to assess whether the loan should be classified as impaired and an allowance or write-off recorded. Our review of problem loans is conducted by our account managers who assess the ultimate collectibility and estimated recoveries on a specific loan based on all events and conditions that the manager believes are relevant to the condition of the loan. This assessment is then reviewed and approved by an independent credit officer. Significant specific allowances and the aggregate allowance for credit losses are reviewed by officers in the Risk Management Group.

We use a variety of methods to determine the amount we expect to recover from impaired loans including the discounted value of estimated future cash flows, observable market values or the fair value of the underlying security discounted to reflect when we expect to sell the security. The value of any collateral is also considered in establishing an allowance. Collateral can vary by type of loan and may include cash, securities, real property, accounts receivable, guarantees, inventory or other capital assets.

General Allowance

This allowance is established to absorb credit losses in a portfolio of on- and off-balance sheet exposure, including those of associated corporations, joint ventures and securitization vehicles, recognizing that not all of the impairment in the loan portfolio can be specifically identified on a loan by loan basis. The general allowance is based upon statistical analysis of past performance, the level of allowance already in place and management's judgement.

The value of loans covered by the general allowance totalled $144,044 as at October 31, 2000 and $147,123 as at October 31, 1999.

Country Risk Allowance

This allowance is recorded for loans to and securities of countries identified by the Superintendent of Financial Institutions Canada that have restructured or experienced difficulties in servicing all or part of their external debt to commercial banks.

During the year we disposed of all such loans and securities and the remaining country risk allowance was reversed to the provision for credit losses in our Consolidated Statement of Income.

The following table sets out the allocation of our allowance for credit losses:

	Specific allowances			General allowance			Country risk allowance			Total		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Residential mortgages	$ 6	$ 4	$ 4	$ –	$ –	$ –	$ –	$ –	$ –	$ 6	$ 4	$ 4
Consumer instalment and other personal loans	5	8	9	–	–	–	–	–	–	5	8	9
Loans to businesses and governments	506	360	262	–	–	–	–	6	6	506	366	268
Non-sectoral	–	–	–	1,080	970	885	–	–	–	1,080	970	885
	517	372	275	1,080	970	885	–	6	6	1,597	1,348	1,166
Securities of designated countries	–	–	–	–	–	–	–	79	98	–	79	98
	517	372	275	1,080	970	885	–	85	104	1,597	1,427	1,264
Off-balance sheet items	–	–	8	–	–	–	–	–	–	–	–	8
Total	$ 517	$ 372	$ 283	$ 1,080	$ 970	$ 885	$ –	$ 85	$ 104	$ 1,597	$ 1,427	$ 1,272

Changes in our allowance for credit losses are:

	Specific allowances			General allowance			Country risk allowance			Total		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Balance at beginning of year	$ 372	$ 283	$ 366	$ 970	$ 885	$ 775	$ 85	$ 104	$ 98	$ 1,427	$ 1,272	$ 1,239
Provision for credit losses	290	235	20	110	85	110	(42)	–	–	358	320	130
Recoveries	44	47	64	–	–	–	–	–	–	44	47	64
Write-offs	(206)	(178)	(192)	–	–	–	(45)	(15)	(3)	(251)	(193)	(195)
Other, including foreign exchange rate changes	17	(15)	25	–	–	–	2	(4)	9	19	(19)	34
Balance at end of year	$ 517	$ 372	$ 283	$ 1,080	$ 970	$ 885	$ –	$ 85	$ 104	$ 1,597	$ 1,427	$ 1,272

Note 6 Asset Securitization

Securitization revenues are generated when we securitize portions of our assets by selling loans to special-purpose vehicles or trusts of which we are not the beneficiary and are recorded in our Consolidated Statement of Income.

We account for these transactions as sales when the significant risks and rewards of the ownership of the loans have been transferred and we can estimate the amount of cash to be received.

We record these sales based upon the market value of the loans sold. The purchase and sale contracts provide for the payment to us of the proceeds of sale when the sum of interest and fees collected from customers exceeds the yield paid to investors on the assets, credit losses and other costs (the deferred purchase price). We record our entitlement to the deferred purchase price, other than the securitization of National Housing Act (NHA) insured mortgages, when the amount is legally payable by the special-purpose vehicle or trust. We recognize the net present value of the deferred purchase price for NHA-insured mortgage securitizations in income at the date of sale. The fees which we receive for continuing to service the loans sold are recorded in income using the accrual method.

We securitized $1,875 of mortgages during the year ended October 31, 2000 and $526 during the year ended October 31, 1999, all of which were NHA-insured mortgages. Gains on sale of NHA-insured mortgages totalled $23 for the year ended October 31, 2000, $5 for the year ended October 31, 1999 and $2 for the year ended October 31, 1998.

The outstanding amounts of loans sold to special-purpose vehicles or trusts are:

	2000	1999
Securitized credit card receivables	**$ 2,500**	$ 2,500
Securitized mortgage loans	**7,305**	5,542
Securitized corporate loans	**4,344**	4,102

The impact of securitization on our Consolidated Statement of Income is:

	2000	1999	1998
Net interest income	**$ (249)**	$ (234)	$ (128)
Provision for credit losses	**46**	42	50
Other income – card services	**(97)**	(89)	(79)
– securitization revenues	**343**	296	158
– other fees and commissions	**(12)**	(9)	(11)
Income (loss) before provision for income taxes, non-controlling interest in subsidiaries and goodwill	**$ 31**	$ 6	$ (10)

Note 7 Premises and Equipment

	2000	1999
Land	**$ 278**	$ 272
Buildings	**1,305**	1,263
Computer and other equipment	**1,991**	2,064
Leasehold improvements	**382**	353
	3,956	3,952
Accumulated amortization	**(1,785)**	(1,724)
Total	**$ 2,171**	$ 2,228

We record all premises and equipment at cost. Buildings, computer and other equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The maximum estimated useful lives we use to amortize our assets are:

- **Buildings** — **40 years**
- **Computer and other equipment** — **10 years**
- **Leasehold improvements** — **15 years**

Amortization expense for the years ended October 31, 2000, 1999 and 1998 amounted to $402, $412 and $318, respectively. Included in land and buildings are the costs of Bank-owned branches, of which we owned 465 as at October 31, 2000 and 522 as at October 31, 1999, and other properties, located in Canada, the United States and other countries.

Lease Commitments

We have entered into a number of non-cancellable leases for premises and equipment. Our total contractual rental commitments outstanding as at October 31, 2000 are $898. The commitments for each of the next five years are $142 for 2001, $112 for 2002, $87 for 2003, $69 for 2004, $59 for 2005 and $429 thereafter. Included in these amounts are the commitments related to 670 leased Bank branch locations as at October 31, 2000. Net rent expense for premises and equipment reported in our Consolidated Statement of Income was $165 for 2000, $175 for 1999 and $168 for 1998.

Note 8 Other Assets

	2000	1999
Accounts receivable, prepaid expenses and other items	**$ 5,297**	$ 3,560
Accrued interest receivable	**1,491**	1,289
Due from clients, dealers and brokers	**1,951**	849
Unrealized gains and amounts receivable on derivative contracts	**13,997**	9,595
Future income taxes	**212**	343
	22,948	15,636
Intangible assets		
Harris Bankcorp, Inc. and subsidiaries	**285**	252
Freeman Welwood & Co., Inc.	**105**	–
Other	**22**	6
	412	258
Goodwill		
Harris Bankcorp, Inc. and subsidiaries	**240**	240
BMO Nesbitt Burns Corporation Limited and subsidiaries	**158**	187
Other	**49**	3
	447	430
Intangible assets and goodwill	**859**	688
Total	**$ 23,807**	$ 16,324

Intangible Assets

Intangible assets which we acquire when we invest in subsidiaries or other specific assets are recorded at their fair value at the time we make the investment. The amount is amortized to net income over the period which we believe the assets will benefit us, generally not exceeding 20 years. We write down the assets to their fair value when the undiscounted cash flows are not expected to allow for recovery of the carrying value.

Goodwill

When we acquire a subsidiary or make other specific investments we determine the fair value of the net tangible and intangible assets acquired and compare the total to the amount that we paid for the investments. Any excess of the amount paid over fair value of those assets is considered to be goodwill. This amount is deferred and amortized to net income over the period that we believe it will benefit us up to a maximum of 20 years. Goodwill is written down to its fair value when the expected undiscounted cash flows from the investment no longer support the carrying value and the shortfall is other than temporary.

There were no write-downs of goodwill or intangible assets during the years ended October 31, 2000 and 1999.

Amortization of intangible assets is recorded in our Consolidated Statement of Income as:

	2000	1999	1998
Interest expense	**$ 10**	$ 11	$ 11
Non-interest expense	**23**	21	24
Total	**$ 33**	$ 32	$ 35

Amortization of goodwill is recorded net of applicable income tax, in our Consolidated Statement of Income, and is comprised of the following:

	2000	1999	1998
Goodwill	**$ 54**	$ 49	$ 48
Income tax (benefit)	**(5)**	(6)	(6)
Goodwill net of applicable tax	**$ 49**	$ 43	$ 42

Note 9 Operating and Geographic Segmentation

We conduct our business through operating segments, each of which has a distinct market and product mandate. Our Personal and Commercial Client Group provides financial services to personal and commercial customers in Canada and the United States; our Private Client Group provides wealth management services; and our Investment Banking Group offers corporate, institutional and government clients comprehensive financial services including advisory, investment and operating services.

In addition, Corporate Support provides enterprise-wide services including overall technology support and risk management.

Information on the revenues, expenses, net income, average assets, loans and deposits of these operating segments is presented in the tables on pages 29 to 39 and on page 41 in our Management Analysis of Operations.

Note 10 Deposits

	Demand deposits									
	Interest bearing		Non-interest bearing		Payable after notice		Payable on a fixed date		Total	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Deposits by:										
Banks	**$ 189**	$ 201	**$ 510**	$ 493	**$ 513**	$ 244	**$ 22,173**	$ 29,460	**$ 23,385**	$ 30,398
Businesses and governments	**5,384**	3,140	**9,779**	8,649	**15,356**	10,050	**38,935**	43,620	**69,454**	65,459
Individuals	**2,144**	1,827	**2,322**	1,937	**24,797**	25,213	**34,595**	32,040	**63,858**	61,017
Total	**$ 7,717**	$ 5,168	**$ 12,611**	$ 11,079	**$ 40,666**	$ 35,507	**$ 95,703**	$ 105,120	**$ 156,697**	$ 156,874
Booked in:										
Canada	**$ 6,900**	$ 4,617	**$ 8,166**	$ 6,440	**$ 28,619**	$ 25,351	**$ 50,261**	$ 50,164	**$ 93,946**	$ 86,572
United States	**742**	498	**4,422**	4,620	**11,469**	9,954	**27,549**	30,003	**44,182**	45,075
Other countries	**75**	53	**23**	19	**578**	202	**17,893**	24,953	**18,569**	25,227
Total	**$ 7,717**	$ 5,168	**$ 12,611**	$ 11,079	**$ 40,666**	$ 35,507	**$ 95,703**	$ 105,120	**$ 156,697**	$ 156,874

Demand deposits are comprised primarily of our customers' chequing accounts, some of which we pay interest on. Our customers need not notify us prior to withdrawing money from their chequing accounts.

Deposits payable after notice are comprised primarily of our customers' savings accounts, on which we pay interest. Our customers are often required to give us notice prior to withdrawing money from these accounts.

Deposits payable on a fixed date are comprised primarily of various investment instruments purchased by our customers, such as term deposits and guaranteed investment certificates, to earn interest over a fixed period. The term of these deposits can vary from one day to ten years.

Deposits include federal funds purchased, which are overnight borrowings of other banks' excess reserve funds at a United States Federal Reserve Bank. As at October 31, 2000 we had purchased $2,498 and $3,677 as at October 31, 1999.

Deposits include commercial paper totalling $1,085 as at October 31, 2000 and $649 as at October 31, 1999.

Included in our deposits payable on a fixed date as at October 31, 2000 are $67,664 of individual deposits greater than one hundred thousand dollars of which $26,501 were booked in Canada and $41,163 were booked outside Canada. We had $80,289 of such deposits as at October 31, 1999 of which $28,180 were booked in Canada and $52,109 were booked outside Canada. Of these deposits booked in Canada the amount maturing within six months was $14,392 at October 31, 2000 and $18,590 at October 31, 1999.

Note 11 Other Liabilities

Acceptances

Acceptances represent a form of negotiable short-term debt that is issued by our customers and which we guarantee for a fee. We have an offsetting claim, equal to the amount of the acceptances, against our customers when the instrument matures. The amount due under acceptances is recorded as a liability and our corresponding claim is recorded as an asset in our Consolidated Balance Sheet.

Securities Sold but not yet Purchased

Securities sold but not yet purchased represent our obligation to deliver securities which we did not own at the time of sale. These obligations are recorded at their market value. Adjustments to the market value as at the balance sheet date and gains and losses on the settlement of these obligations are recorded as interest, dividend and fee income from securities in our Consolidated Statement of Income.

Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements represent short-term funding transactions where we sell securities that we already own and simultaneously commit to repurchase the same securities at a specified price on a specified date in the future. These securities are recorded at their original cost. The interest expense related to these liabilities is recorded on an accrual basis.

	2000	1999
Acceptances	**$ 8,630**	$ 6,753
Securities sold but not yet purchased	**9,353**	10,450
Securities sold under repurchase agreements	**19,749**	24,177
	$ 37,732	$ 41,380
Accounts payable, accrued expenses and other items	**4,857**	3,044
Liabilities of subsidiaries, other than deposits	**1,496**	2,715
Accrued interest payable	**1,564**	1,382
Unrealized losses and amounts payable on derivative contracts	**13,342**	9,029
Deferred loan fees	**105**	104
Non-controlling interest in subsidiaries	**751**	394
Other	**$ 22,115**	$ 16,668
Total	**$ 59,847**	$ 58,048

Included in liabilities of subsidiaries, other than deposits are other short-term borrowings totalling $1,345 as at October 31, 2000 and $2,568 as at October 31, 1999.

Included in non-controlling interest in subsidiaries as at October 31, 2000 are capital trust securities totalling $350 that form part of our Tier 1 regulatory capital. We had no such securities as at October 31, 1999.

Note 12 Subordinated Debt

Subordinated debt represents our direct unsecured obligations to our debt holders and forms part of our regulatory capital. The rights of the holders of our notes and debentures are subordinate to the claims of depositors and certain other creditors. We require prior approval from the Superintendent of Financial Institutions Canada before we can redeem any part of our subordinated debt.

Our subordinated debt consists of notes and debentures with interest rates ranging from 5.55% to 10.85%. The maturity dates extend from May 2002 to December 2040.

The interest rates on certain debenture series are variable based on various indices. In addition, certain series of subordinated debt are redeemable at our option on various dates prior to February 2012.

Included in subordinated debt are debentures and subordinated notes denominated in U.S. dollars totalling US$950 as at October 31, 2000 and October 31, 1999. The Canadian dollar equivalent of these is $1,447 as at October 31, 2000 and $1,398 as at October 31, 1999.

During the year we issued $300 of Series B Medium-term notes under our North American Shelf Offering Program. The notes mature on June 8, 2010, are redeemable at our option and carry an interest rate of 6.60%.

During the year we redeemed our Series 13 Debentures of $150.

Repayments of our subordinated debt required over the next five years and thereafter are:

2001	$ –
2002	150
2003	250
2004	–
2005	457
Thereafter	4,054
Total	$ 4,911

Note 13 Share Capital

Outstanding

(Canadian $ in millions, except per share information)

	2000			1999			1998		
	Number of shares	**Amount**	**Dividends declared per share**	Number of shares	Amount	Dividends declared per share	Number of shares	Amount	Dividends declared per share
Preferred Shares									
Class A – Series 4	**–**	**$ –**	**$ –**	–	$ –	$ 1.87	8,000,000	$ 200	$ 2.25
Class A – Series 5	**–**	**–**	**–**	–	–	522.26	288	72	19,062.50
Class B – Series 1	**10,000,000**	**250**	**2.25**	10,000,000	250	2.25	10,000,000	250	2.25
Class B – Series 2	**10,000,000**	**381**	**US$1.69**	10,000,000	368	US$1.69	10,000,000	386	US$1.69
Class B – Series 3	**16,000,000**	**400**	**1.39**	16,000,000	400	1.39	16,000,000	400	1.39
Class B – Series 4	**8,000,000**	**200**	**1.20**	8,000,000	200	1.20	8,000,000	200	0.90
Class B – Series 5	**8,000,000**	**200**	**1.33**	8,000,000	200	1.33	8,000,000	200	0.99
Class B – Series 6	**10,000,000**	**250**	**1.19**	10,000,000	250	1.19	10,000,000	250	0.63
		1,681			1,668			1,958	
Common Shares	**261,291,947**	**3,173**	**2.00**	267,032,100	3,190	1.88	264,433,198	3,095	1.76
Total Outstanding Share Capital		**$ 4,854**			$ 4,858			$ 5,053	

Preferred Shares

We are authorized by our shareholders to issue an unlimited number of Class A Preferred Shares and Class B Preferred Shares without par value, in series, for unlimited consideration. Class B Preferred Shares may be issued in a foreign currency.

Class B – Series 1 shares are redeemable at our option starting February 25, 2001 for $25.00 cash per share or an equivalent value of our common shares, and are convertible at the shareholder's option starting August 25, 2001 into our common shares; however, we have the right to pay $25.00 cash per share instead. The shares carry a non-cumulative quarterly dividend of $0.5625 per share.

Class B – Series 2 shares are redeemable at our option starting August 25, 2001 for US$25.00 cash per share or an equivalent value of our common shares, and are convertible at the shareholder's option starting February 25, 2002 into our common shares; however, we have the right to pay US$25.00 cash per share instead. The shares carry a non-cumulative quarterly dividend of US$0.4219 per share.

Class B – Series 3 shares are redeemable at our option starting August 25, 2004 for $25.00 cash per share, plus a premium if we redeem the shares before August 25, 2006, or an equivalent value of our common shares, and are convertible at the shareholder's option starting May 25, 2007 into our common shares; however, we have the right to pay $25.00 cash per share instead. The shares carry a non-cumulative quarterly dividend of $0.346875 per share.

Class B – Series 4 shares are redeemable at our option starting August 25, 2005 for $25.00 cash per share, plus a premium if we redeem the shares before August 25, 2007, or an equivalent value of our common shares, and are convertible at the shareholder's option starting May 25, 2008 into our common shares; however, we have the right to pay $25.00 cash per share instead. The shares carry a non-cumulative quarterly dividend of $0.30 per share.

Class B – Series 5 shares are redeemable at our option starting February 25, 2013 for $25.00 cash per share, and are not convertible. The shares carry a non-cumulative quarterly dividend of $0.33125 per share.

Class B – Series 6 shares are redeemable at our option starting November 25, 2005 for $25.00 cash per share, plus a premium if we redeem the shares before November 25, 2007, or an equivalent value of our common shares, and are convertible at the shareholder's option starting November 25, 2008 into our common shares; however, we have the right to pay $25.00 cash per share instead. The shares carry a non-cumulative quarterly dividend of $0.296875 per share.

Common Shares

We are authorized by our shareholders to issue an unlimited number of our common shares, without par value, for unlimited consideration.

Our common shares are not redeemable or convertible. Dividends are declared by us on a quarterly basis and the amount can vary from quarter to quarter.

During the year, we initiated a program to repurchase up to 10 million shares through recognized stock exchanges by October 31, 2000. As at October 31, 2000, 7,864,000 shares had been repurchased at an average cost of $63.59 per share, totalling $500.

Stock Option Plan

We maintain a Stock Option Plan for designated officers and employees. The options granted under the plan from 1995 to 1999 vest five fiscal years from November 1 of the fiscal year in which the options are granted to the officer or employee, after we have met certain performance targets. The options granted in 2000 vest 25% per year over a four-year period starting from November 1 of the fiscal year in which the options are granted. A portion of the options granted in 2000 are subject to a performance target. The options expire ten years from the date they are granted. When the stock options are exercised we include the amount of the proceeds in shareholders' equity.

Other Issuances Exchangeable into Common Shares

In 1996 we also granted options to Grupo Financiero BBVA Bancomer to purchase up to 9,957,285 of our common shares as part of the consideration paid for our investment in Grupo Financiero BBVA Bancomer. The options can be exercised starting March 29, 2001 and expire on March 29, 2003. The options can only be exercised if Grupo Financiero BBVA Bancomer meets certain performance targets.

One of our subsidiaries, Bank of Montreal Securities Canada Limited, has issued various classes of non-voting shares which can be exchanged for our common shares. Class B and C shares can be exchanged at the option of the holder for our common shares. The number of our common shares that will be issued on the exchange of these shares is based on a formula. Class E and F shares can be exchanged at the option of the holder on a one-for-one basis.

Share Redemption and Dividend Restrictions

The Superintendent of Financial Institutions Canada must approve any plan to redeem any of our preferred share issues for cash.

We are prohibited from declaring dividends on our preferred or common shares when we are, or would be as a result of paying such a dividend, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Bank Act. In addition, common share dividends cannot be paid unless all dividends declared and payable on our preferred shares have been paid or sufficient funds have been set aside to do so. In addition, we have agreed that if BMO Capital Trust fails to pay any required distribution on its capital trust securities, we will not declare dividends of any kind on any of our preferred or common shares.

Potential Share Issuances

As at October 31, 2000, we had reserved 5,117,665 common shares for potential issue in respect of our Shareholder Dividend Reinvestment and Share Purchase Plans, 3,633,343 common shares in respect of the exchange of Class B, C, E and F shares of Bank of Montreal Securities Canada Limited and 24,786,159 common shares for the potential exercise of stock options.

The following table sets out the number of common shares we may issue in various circumstances:

		2000		1999	
	Fiscal year issued	**Number of shares**	**Price per share**	Number of shares	Price per share
Stock Option Plan	1995	**1,530,359**	**$ 25.50**	2,028,100	$ 25.50
	1996	**2,362,900**	**31.00**	2,523,300	31.00
	1997	**2,269,200**	**39.85**	2,437,550	39.85
	1997	**75,000**	**57.50**	75,000	57.50
	1998	**1,882,300**	**65.80**	1,937,900	65.80
	1998	**51,500**	**85.40**	51,500	85.40
	1999	**4,413,900**	**60.35**	4,754,600	60.35
	2000	**4,164,300**	**51.20**	–	–
	2000	**25,000**	**66.25**	–	–
		16,774,459		13,807,950	
Other options	1996	**9,957,285**	**$ 36.50**	9,957,285	$ 36.50
		26,731,744		23,765,235	
Other convertible issuances	1992	**938,390**	**$ 14.52**	1,450,312	$ 13.79
	1994	**300,501**	**18.89**	320,447	18.80
		1,238,891		1,770,759	
Total		**27,970,635**		25,535,994	

This table does not include certain share issues which are redeemable at our option or subject to our ability to settle a conversion option with cash.

Stock options totalling 957,641 shares were exercised during the year ended October 31, 2000 and options for 674,500 shares were exercised during the year ended October 31, 1999. The number of stock options cancelled during the year ended October 31, 2000 was 322,450 and options for 89,200 shares were cancelled during the year ended October 31, 1999.

The weighted average exercise price of all the options outstanding as at October 31, 2000 was $48.68 per share, $47.10 per share as at October 31, 1999 and $39.56 per share as at October 31, 1998.

At a weighted average exercise price of $37.28 per share, 2,914,359 stock options were exercisable as at October 31, 2000; at a weighted average exercise price of $42.58 per share, 819,750 stock options were exercisable as at October 31, 1999; and at a weighted average exercise price of $32.35 per share, 429,350 stock options were exercisable as at October 31, 1998.

The weighted average fair value, at the date of grant, of options granted during the year ended October 31, 2000 was $9.57, $12.33 for those granted during the year ended October 31, 1999 and $13.69 for those granted during the year ended October 31, 1998. We determine the fair value of each option granted using the Rolle-Geske Option Pricing Model with the following assumptions:

- risk-free interest rate of 6.3% for October 31, 2000, 4.9% for 1999 and 5.8% for 1998;
- expected period until exercise of 7.0 years for October 31, 2000, 7.5 years for 1999 and 7.5 years for 1998;
- expected stock volatility of 21.5% for October 31, 2000, 19.8% for 1999 and 16.0% for 1998;
- expected dividend yield of 6.2% for October 31, 2000, 8.8% for 1999 and 8.8% for 1998.

Note 14 Restructuring Charge

In October 1999, we recorded a charge of $141 ($81 after tax) for exit costs associated with restructuring initiatives of which $61 had been paid as at October 31, 2000 and $13 as at October 31, 1999.

The charge included exit costs related to the activities of each of our operating groups: $67 for costs to realign the Bank's distribution system, including the closure of 105 branches in the Personal and Commercial Client Group; $16 for costs to realign investment and corporate banking activities, including certain businesses in our London, England branch in the Investment Banking Group; $6 for strategic repositioning of our wealth management business into six new lines of business in the Private Client Group; and $52 for costs to exit certain centrally managed functions that are no longer required to support our strategic initiatives.

During the year we revised our estimate of the remaining costs to execute the restructuring plan and reduced the liability by $43; this adjustment was recorded in restructuring charge in the Consolidated Statement of Income.

The revision of our estimate was due to:

1. the unanticipated sale of 37 branches during the year which reduced the number of branch closures required to realign the Bank's distribution system to 61; and
2. lower severance costs due to higher than expected levels of attrition and redeployment within the Bank which reduced the number of employees terminated to 721 from 1,430.

The restructuring accrual balance as at October 31, 2000 relates to contractual commitments made in connection with the completion of restructuring initiatives, including severance payments being received by employees in the form of salary continuance.

	Oct 31 1999	Paid during the year	Reversed	Oct 31 2000
Severance	$ 96	**$ 34**	**$ 28**	**$ 34**
Fixed asset write-downs	14	**7**	**6**	**1**
Lease terminations	18	**7**	**9**	**2**
Restructuring accrual balance	$ 128	**$ 48**	**$ 43**	**$ 37**

Note 15 Income Taxes

We report our provision for income taxes in our Consolidated Statement of Income based upon transactions recorded in our consolidated financial statements regardless of when they are recognized for income tax purposes.

In addition, we record income tax expense or benefit directly in retained earnings for those items recorded in shareholders' equity.

Provision for Income Taxes	2000	1999	1998
Consolidated Statement of Income			
Provision for income taxes	**$ 989**	$ 736	$ 810
Income tax (benefit) related to amortization of goodwill	**(5)**	(6)	(6)
Shareholders' Equity			
Income tax expense (benefit) related to foreign currency translation and costs of proposed merger	**(153)**	158	(237)
Total	**$ 831**	$ 888	$ 567
Components of Total Income Taxes			
Canada: Current income taxes			
Federal	**$ 279**	$ 575	$ 243
Provincial	**109**	186	95
	388	761	338
Future income taxes			
Federal	**43**	(116)	16
Provincial	**14**	(35)	5
	57	(151)	21
Total Canadian	**445**	610	359
Foreign: Current income taxes	**312**	209	213
Future income taxes	**74**	69	(5)
Total Foreign	**386**	278	208
Total	**$ 831**	$ 888	$ 567

Net future income taxes included in other assets is the cumulative amount of tax applicable to temporary differences between the carrying amount of our assets and liabilities and their values for tax purposes. Future income taxes are measured at the tax rates expected to apply when these differences reverse. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change.

We review the valuation of our future income tax assets on an ongoing basis and adjust our valuation allowance, as necessary, to reflect the realizable amount of our future income tax assets. We expect that we will realize our future income tax assets in the normal course of our operations.

Components of Future Income Tax Balances	2000	1999
Future Income Tax Assets		
Allowance for credit losses	**$ 508**	$ 522
Deferred items	**34**	117
Other	**150**	115
	692	754
Valuation allowance	**–**	–
Future Income Tax Assets	**692**	754
Future Income Tax Liabilities		
Premises and equipment	**(241)**	(180)
Deferred pension	**(165)**	(150)
Other	**(74)**	(81)
Future Income Tax Liabilities	**(480)**	(411)
Net Future Income Tax Asset	**$ 212**	$ 343

Set out below is a reconciliation of our statutory tax rates and income tax that would be payable at these rates to the effective income tax rates and provision for income taxes that we have reported in our Consolidated Statement of Income:

	2000		1999		1998	
Combined Canadian federal and provincial income taxes and statutory tax rate	**$ 1,230**	**42.2%**	$ 919	42.1%	$ 936	42.0%
Increase (decrease) resulting from:						
Tax-exempt income	**(128)**	**(4.4)**	(91)	(4.2)	(82)	(3.7)
Foreign operations subject to different tax rates	**(151)**	**(5.2)**	(133)	(6.1)	(102)	(4.6)
Intangible assets not deductible for tax purposes	**4**	**0.1**	6	0.3	6	0.3
Large corporations tax	**14**	**0.5**	11	0.5	14	0.6
Financial institutions temporary surcharge	**11**	**0.4**	11	0.5	10	0.5
Change in tax rate for future income taxes	**11**	**0.4**	–	–	–	–
Other	**(2)**	**(0.1)**	13	0.6	28	1.2
Provision for Income Taxes and Effective Tax Rate	**$ 989**	**33.9%**	$ 736	33.7%	$ 810	36.3%

Income which we earn in foreign countries, either through our branches or subsidiaries, is generally subject to tax in those countries. We are also subject to Canadian taxation on the income earned in our foreign branches. Canada allows a credit for foreign taxes paid on this income. Upon repatriation of earnings from foreign subsidiaries, we would be required to pay tax on certain of these earnings. As repatriation of such earnings is not currently planned, we have not recognized the future tax liability. Canadian and foreign taxes that would be payable if all of our foreign subsidiaries' earnings were repatriated are estimated to be $434 as at October 31, 2000, $387 as at October 31, 1999 and $324 as at October 31, 1998.

Note 16 Net Income per Common Share

Our basic net income per common share is calculated by dividing our net income, after deducting total preferred share dividends, by the daily average number of fully paid common shares outstanding throughout the year.

In 2000, 1999 and 1998 the fully diluted amount included the potential dilution of convertible securities issued by a subsidiary and the potential issuance of shares under stock options issued in 1995. Additionally, options issued in 1996 were included in the fully diluted amount in 2000 and 1999.

The average number of common shares outstanding throughout the year used to calculate our fully diluted net income per common share is based on the assumption that the conversion or redemption of all securities which are convertible or redeemable at the option of the holder occurred at the beginning of the year or at the date the security was issued, if later.

Our Series 1, 2, 3, 4 and 6 Class B Preferred shares, in certain circumstances, are convertible into common shares. These conversions are not included in the calculation of fully diluted net income per common share as we have the option to settle in cash instead of common shares.

Options issued in 2000, 1999, 1998 and 1997 and options issued to Grupo Financiero BBVA Bancomer are not included in the computation as they would not reduce net income per common share.

Change in Accounting Policy

The Canadian Institute of Chartered Accountants has approved a new standard for computing and disclosing net income per common share which we will adopt beginning in fiscal 2001. The most significant change is that when calculating fully diluted net income per common share under the new standard, we would assume that proceeds received from the exercise of stock options are used to repurchase outstanding shares; whereas under the current standard, we assume they are invested to earn a return. Our disclosure practices comply with the new standard. Under the new standard our fully diluted net income per common share would have been $6.50 for the year ended October 31, 2000, $4.67 for 1999 and $4.59 for 1998.

Basic net income per common share (Canadian $ in millions, except per share information)	**2000**	1999	1998
Net income before goodwill	**$ 1,906**	$ 1,425	$ 1,392
Dividends on preferred shares	**(101)**	(117)	(112)
Net income before goodwill available to common shareholders	**1,805**	1,308	1,280
Amortization of goodwill	**(49)**	(43)	(42)
Net income available to common shareholders	**$ 1,756**	$ 1,265	$ 1,238
Average number of common shares outstanding (in thousands)	**265,659**	265,862	262,511
Basic net income per common share before goodwill amortization	**$ 6.79**	$ 4.92	$ 4.88
Basic net income per common share	**$ 6.61**	$ 4.76	$ 4.72

Fully diluted net income per common share (Canadian $ in millions, except per share information)	**2000**	1999	1998
Net income before goodwill available to common shareholders	**$ 1,805**	$ 1,308	$ 1,280
Imputed income on stock options	**22**	21	15
Net income before goodwill adjusted for dilution effect	**1,827**	1,329	1,295
Amortization of goodwill	**(49)**	(43)	(42)
Net income adjusted for dilution effect	**$ 1,778**	$ 1,286	$ 1,253
Average number of common shares outstanding (in thousands)	**265,659**	265,862	262,511
Convertible shares	**1,533**	2,160	4,241
Stock options	**3,893**	4,551	2,296
Average fully diluted number of common shares outstanding (in thousands)	**271,085**	272,573	269,048
Fully diluted net income per common share before goodwill amortization	**$ 6.74**	$ 4.88	$ 4.81
Fully diluted net income per common share	**$ 6.56**	$ 4.72	$ 4.66

Note 17 Pensions and Certain Non-Pension Benefits

We provide a range of benefits to our employees, the costs of which are recognized in the period services are provided as salaries and employee benefits expense in the Consolidated Statement of Income. Information on pension benefits and certain non-pension benefits including stock-based compensation plans is provided below.

Pensions

We have a number of arrangements which provide benefits to our retired employees. These arrangements include statutory pension plans as well as supplemental arrangements which provide pension benefits in excess of statutory limits. Generally, we provide retirement benefits based on the employees' years of service and average earnings at the time of retirement and do not require employees to make contributions. Voluntary contributions can be made by employees.

Our actuaries perform regular valuations of our accrued benefit obligation for pension benefits based on assumptions about salary growth, retirement age and mortality. Assets are set aside to satisfy our pension obligation related to pension plans. Supplemental arrangements are unfunded.

Pension expense is recorded in our Consolidated Statement of Income as a component of salaries and employee benefits. It is determined as the cost of employee pension benefits for the current year's service, interest expense on the pension liability, expected investment return on the market value of plan assets and the amortization of both deferred past service costs and deferred actuarial gains and losses.

Past service costs arise when we make pension amendments that result in the granting of benefits that are calculated by reference to service already provided by employees. We defer and amortize past service costs to pension expense over the average remaining service period of active employees.

Actuarial gains and losses can arise in one of two ways: first, when the actual return on plan assets for a period differs from the expected return on plan assets for that period, and second, when the expected accrued benefit obligation at the end of the year differs from the actual accrued benefit obligation at the end of the year. We defer and amortize all experience gains and losses to pension expense over the average remaining service period of active employees.

Prepaid pension expense is included in other assets in our Consolidated Balance Sheet.

We also provide certain life insurance, health and dental care benefits for retired employees. The cost of these benefits is recorded in salaries and employee benefits expense as incurred.

Change in Accounting Policy

The Canadian Institute of Chartered Accountants has approved a new accounting standard for recording and disclosing pension and other future employee benefits. We must adopt this new standard beginning in fiscal 2001. The standard permits the change to be accounted for either retroactively as a charge to opening retained earnings or prospectively through an annual charge to income over the average remaining service life of the employee group.

We will adopt the new standard retroactively as a charge to opening retained earnings. The most significant changes will be:

- we will be required to include our deferred pension amounts, including past service costs and net experience gains, in the charge to opening retained earnings;
- our pension benefit obligation will be calculated using a current market rate rather than management's best estimate of the long-term discount rate;
- we will record an actuarially determined liability and expense for certain non-pension benefits we provide for current and retired employees rather than recognizing the expense as it is incurred. These non-pension benefits include post-retirement benefits, post-employment benefits and compensated absences.

The impact of adopting the new accounting standard on November 1, 2000 is comprised of two components. Our prepaid pension asset will increase by the amount of unamortized deferred actuarial gains and deferred past service costs related to prior periods. This will be offset in part by a decrease related to the change in discount rate used to value our accrued pension obligation, for a net increase in our prepaid pension asset of $38. Other liabilities will increase by $459 as a result of recording an actuarially determined liability for certain non-pension benefits. The net impact on opening retained earnings will be a decrease of $250 (net of tax of $171).

For the year ended October 31, 2001, pension expense is expected to increase by $46 ($27 after tax) and non-pension benefits expense is expected to increase by approximately $23 ($14 after tax) as a result of this change in accounting.

The following table provides summaries of our pension plans' estimated financial positions:

	2000	1999	1998
Accrued pension benefit obligation for employee service, beginning of year	**$ 2,098**	$ 2,202	$ 1,930
Pension benefits earned by employees	**69**	76	68
Interest cost accrued on our accrued benefit obligation	**166**	160	152
Benefits paid to pensioners	**(152)**	(175)	(157)
Voluntary employee contributions	**4**	4	5
Actuarial (gains) losses	**(7)**	(159)	134
Plan amendments	**18**	14	26
Other, primarily foreign exchange	**15**	(24)	44
Accrued pension benefit obligation for employee service, end of year	**$ 2,211**	$ 2,098	$ 2,202
Fair value of plan assets, beginning of year	**$ 2,825**	$ 2,678	$ 2,581
Actual return on plan assets	**365**	305	184
Bank contributions	**44**	27	19
Voluntary employee contributions	**4**	4	5
Benefits paid to pensioners	**(152)**	(169)	(151)
Other, primarily foreign exchange	**17**	(20)	40
Fair value of plan assets, end of year	**$ 3,103**	$ 2,825	$ 2,678
Funded status	**892**	727	476
Unrecognized actuarial (gains)	**(543)**	(439)	(207)
Unrecognized past service costs	**78**	74	76
Unrecognized transition amount	**(1)**	(1)	(1)
Prepaid pension expense	**$ 426**	$ 361	$ 344
Annual Pension Expense			
Net pension expense includes the following components:			
Actual investment return on plan assets	**$ (365)**	$ (304)	$ (182)
Excess of our actual over expected return	**135**	94	29
Expected return on plan assets	**(230)**	(210)	(153)
Pension benefits earned by employees	**72**	76	73
Interest cost accrued on our accrued pension benefit obligation	**166**	161	153
Amortization of actuarial (gains)	**(38)**	(24)	(83)
Amortization of past service costs	**14**	13	9
Amortization of transition amount	**(1)**	–	–
Annual pension expense	**(17)**	16	(1)
Canada, Quebec and defined contribution pension plans expense	**40**	41	34
Total annual pension expense	**$ 23**	$ 57	$ 33
Weighted Average Actuarial Assumptions			
Discount rate for accrued benefit obligation	**8.1%**	8.1%	7.6%
Rate of compensation increase	**4.2**	3.8	3.8
Expected long-term rate of return on pension plan assets	**8.4**	8.4	8.1

Comparative figures for 1999 and 1998 have been restated to include amounts related to the Canadian supplemental unfunded retirement arrangement.

Included in the accrued benefit obligation is $123 ($100 in 1999; $115 in 1998) related to supplemental unfunded retirement arrangements.

As at October 31, 2000, the pension plan assets consisted of equities (67%) and fixed income investments (33%).

The cost of post-retirement life insurance, health and dental care benefits reported in employee benefits expense was $16 in 2000, $18 in 1999 and $11 in 1998.

Stock-Based Compensation Plans

We have a number of stock-based compensation plans for employees which are discussed below. Compensation expense related to these plans is included in salaries and employee benefits in our Consolidated Statement of Income. In addition to these plans, we provide a stock option plan for designated officers and employees. Information on this plan is included in note 13.

Share Purchase Plan

We offer our employees the option of contributing a portion of their gross salary toward the purchase of our shares. For employee contributions up to 6% of gross pay, we match 50% of the contribution. We account for the Bank's contribution as compensation expense when it is contributed to the plan. Compensation expense related to this plan was $17 for the year ended October 31, 2000, $4 for the year ended October 31, 1999 and $3 for the year ended October 31, 1998.

Mid-Term Incentive Program

Beginning in fiscal 2000, we introduced a mid-term incentive program for executives. Under this plan, a cash bonus is paid at the end of each three-year period based on performance targets driven by annualized total shareholder return compared with that of our competitors. Compensation expense for this plan is recorded over the three-year performance cycle for the plan. The amount of compensation expense is adjusted over the three-year performance cycle to reflect the current market prices of our common shares and those of our competitors. There was no compensation expense related to this plan for the year ended October 31, 2000.

Deferred Bonus Plans

Beginning in fiscal 2000, we introduced deferred bonus plans for certain senior executives and certain key employees in our Investment Banking Group. Under these plans, payment of annual bonuses can be deferred as stock units of our common shares. The amount of deferred bonus is adjusted to reflect dividends and changes in the market value of our common shares. Deferred bonuses for senior executives are paid when the executive retires or resigns, and may be paid in cash, common shares or a combination of both. Deferred bonuses for employees are paid out evenly in cash at the end of each year over the three years following the year in which the bonus is earned. Compensation expense for these plans is recorded in the year the bonus is earned. Changes in the amount of the bonus payable as a result of dividends and share price movements are recognized as compensation expense in the period of the change. Compensation expense related to these plans was $3 for the year ended October 31, 2000.

Note 18 Related Party Transactions

We provide banking services to our joint ventures and equity-accounted investments on the same terms that we offer to our customers. In addition, we make loans to current and former directors, officers and employees at various rates and terms. The interest earned on these loans is recorded in interest, dividend and fee income in our Consolidated Statement of Income.

The amounts outstanding under these loan agreements are:

	2000	1999
Mortgage loans	**$ 525**	$ 664
Personal loans	**362**	351
Total	**$ 887**	$ 1,015

Note 19 Risk Management

Our business necessitates the management of several categories of risk including credit, market, liquidity and operational risks. Certain information about our exposure to these risks such as the allowance for credit losses, trading revenue, derivative financial instruments and fair value of financial instruments are set out in the consolidated financial statements. A summary of our interest rate gap position and effective interest rates on our financial instrument assets and liabilities is set out on page 74 of our Management Analysis of Operations.

Note 20 Contingent Liabilities

(a) Legal Proceedings

BMO Nesbitt Burns Inc., an indirect subsidiary of Bank of Montreal, has been named as a defendant in several class and individual actions in Canada and a class action in the United States brought on behalf of shareholders of Bre-X Minerals Ltd. ("Bre-X"). Other defendants named in one or more of these actions include Bre-X, officers and directors of Bre-X, mining consulting firms retained by Bre-X, Bre-X's financial advisor and brokerage firms which sold Bre-X common stock. The actions are largely based on allegations of negligence, negligent or fraudulent misrepresentation and breaches of the *U.S. Securities Exchange Act of 1934*, in connection with the sale of Bre-X securities. All of the actions are at a very preliminary stage. Based upon information presently available, counsel for BMO Nesbitt Burns Inc. are not in a position to express an opinion as to the likely outcome of any of these actions. Management is of the view that the Company has strong defences and will vigorously defend against all such actions.

The Bank and its subsidiaries are party to other legal proceedings in the ordinary course of their businesses. Management does not expect the outcome of any of these other proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or results of the Bank's operations.

(b) Pledged Assets

In the normal course of our business, we pledge assets as security for various liabilities that we incur. We had pledged investment and trading account securities and other assets totalling $32,425 as at October 31, 2000 and $36,772 as at October 31, 1999 as security for call loans, securities sold but not yet purchased, securities sold under repurchase agreements and other secured liabilities. Additionally, we had deposited assets in the amount of $560 as at October 31, 2000 and $2,699 as at October 31, 1999 to act as security for our participation in clearing and payment systems and as security for contract settlements with derivatives exchanges or other derivative counterparties.

The following table summarizes our assets pledged:

	2000	1999
Cash	**$ 67**	$ 364
Securities		
Issued or guaranteed by Canada	**3,453**	1,317
Issued or guaranteed by a Canadian province, municipality or school corporation	**505**	1,037
Other liquid securities	**13,066**	12,398
Other assets	**15,894**	24,355
Total assets pledged	**$ 32,985**	$ 39,471

Note: Excludes restricted cash resources disclosed in note 2.

We enter into interest rate, foreign exchange, equity and commodity contracts to enable customers to manage risk, and for asset/liability management purposes where we manage our on- and off-balance sheet positions.

Customer trading derivative transactions are comprised of sales and other activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to transfer, modify or reduce current or expected risks. Other activities include market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Customer trading derivatives are marked to market. Realized and unrealized gains and losses are recorded in other income. A portion of the income derived from marking derivatives to market in respect of credit, model and liquidity risks as well as administrative costs is deferred and amortized to income over the life of the contracts. Unrealized gains on trading derivatives are recorded in other assets and unrealized losses are recorded in other liabilities.

Asset/liability management derivatives are those instruments that are designated and documented as effective as hedges. We use these instruments to manage exposures in accordance with our risk management strategy. For a hedge to be effective, changes in the market value of the derivative must be highly correlated with changes in the market value of the underlying hedged item at inception and over the life of the hedge. Swaps, forwards and options, which are used for such purposes, are accounted for on the accrual basis, under which income and expense from the derivative instrument is accrued and there is no recognition of unrealized gains and losses on the derivative in the balance sheet. For swaps and forwards, interest income and expense from the hedging instrument is accrued and recorded as an adjustment to the income or expense related to the hedged position. Premiums on purchased options are amortized over the life of the contract to the income or expense line associated with the hedged position. Accrued interest receivable and payable and deferred gains and losses are recorded in other assets or other liabilities as appropriate. Realized gains and losses from the settlement or the early termination of contracts are deferred and amortized over the remaining original life of the hedging instrument. Subsequent changes in the fair value of instruments identified as hedges, but which are no longer effective as hedges, are redesignated as customer trading and are reported in other income.

Derivatives transactions, which are conducted in the over-the-counter market directly between two counterparties or on regulated exchange markets, include:

Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows.

For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. The main risks associated with these instruments are the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of assets and liabilities.

For cross-currency swaps, fixed interest payments and notional amounts are exchanged in different currencies.

For cross-currency interest rate swaps, principal amounts and fixed and floating interest payments are exchanged in different currencies.

For commodity swaps, counterparties generally exchange fixed and floating rate payments based on a notional value in a single commodity.

Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. Risks arise from the possible inability of over-the-counter counterparties to meet the terms of their contracts and from movements in securities values, interest rates and foreign exchange rates.

We periodically use forward exchange contracts to hedge contractual U.S. dollar revenues to minimize fluctuations in U.S. dollar earnings. These forward exchange contracts mature monthly as related revenues are recognized. There was no unrecognized gain or loss associated with these forward contracts as at October 31, 2000 and there was a $5.9 unrealized gain as at October 31, 1999.

Options

Options are contractual agreements that convey the right but not the obligation to either buy or sell a specific amount of a currency, commodity or financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period.

For options written by us, we receive a premium from the purchaser for accepting market risk. For options purchased by us, a premium is paid for the right to exercise the option, but we sustain credit risk due to the uncertainty as to the writer's ability to fulfill the conditions of the contract. Also included in options are caps, collars and floors, which are contractual agreements where the writer agrees to pay the purchaser, based on a specified notional amount, the agreed upon difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

We conduct our trading activities through business units dealing in both on- and off-balance sheet positions, including derivatives, which are marked to market. The revenue generated by these units is disclosed on page 14 of our Management Analysis of Operations.

Losses incurred on defaults of counterparties charged to the allowance for credit losses in the years ended October 31, 2000, 1999 and 1998 were not significant.

The effect of asset/liability management derivatives on net interest income and the net amount of deferred realized losses was:

	2000	1999	1998
Asset/Liability Management Derivatives			
Increase (decrease) in net interest income	**$ 94**	$ 27	$ 37
Deferred realized (losses)	**$ (15)**	$ (1)	$ (15)

The following table summarizes our derivative portfolio and related credit exposure:

Notional amount: represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Replacement cost: represents the cost of replacing, at current market rates, all contracts which have a positive fair value, in effect the unrealized gains. Derivative instruments transacted through exchanges are subject to daily margin requirements. Such instruments are excluded from the calculation of risk-weighted assets as they are deemed to have no additional credit risk. The amounts take into consideration offsetting, when we have a legally enforceable right to offset and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Credit risk equivalent: represents the total replacement cost and potential future credit exposure, taking into consideration offsetting as permitted by the Superintendent of Financial Institutions Canada.

Risk-weighted balance: represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by the Superintendent of Financial Institutions Canada.

	2000						1999					
	Notional amount						Notional amount					
	Customer trading	Asset/liability management	Total	Replacement cost	Credit risk equivalent	Risk-weighted balance	Customer trading	Asset/liability management	Total	Replacement cost	Credit risk equivalent	Risk-weighted balance
Interest Rate Contracts												
Over-the-counter												
Swaps	$ 456,347	$ 29,035	$ 485,382	$ 3,608	$ 2,515	$ 752	$ 356,803	$ 39,630	$ 396,433	$ 3,481	$ 2,573	$ 750
Forward rate agreements	144,973	–	144,973	59	35	7	128,706	8,239	136,945	78	61	15
Purchased options	88,852	147	88,999	782	1,015	261	82,838	1,848	84,686	556	1,158	274
Written options	96,265	28	96,293	–	–	–	53,565	–	53,565	–	–	–
	786,437	29,210	815,647	4,449	3,565	1,020	621,912	49,717	671,629	4,115	3,792	1,039
Exchange traded												
Futures	122,453	724	123,177	–	–	–	89,908	7,176	97,084	–	–	–
Purchased options	45,515	–	45,515	–	–	–	22,109	–	22,109	–	–	–
Written options	28,131	–	28,131	–	–	–	17,916	–	17,916	–	–	–
	196,099	724	196,823	–	–	–	129,933	7,176	137,109	–	–	–
Total Interest Rate Contracts	982,536	29,934	1,012,470	4,449	3,565	1,020	751,845	56,893	808,738	4,115	3,792	1,039
Foreign Exchange Contracts												
Over-the-counter												
Cross-currency swaps	15,272	–	15,272	122	625	252	14,884	–	14,884	140	783	333
Cross-currency interest rate swaps	38,293	6,903	45,196	1,076	1,932	426	33,937	5,959	39,896	867	1,449	347
Forward foreign exchange contracts	145,148	6,502	151,650	3,053	2,668	701	184,238	10,578	194,816	2,954	3,296	960
Purchased options	51,165	–	51,165	933	1,265	342	32,994	–	32,994	549	820	221
Written options	60,421	–	60,421	–	–	–	38,618	–	38,618	–	–	–
	310,299	13,405	323,704	5,184	6,490	1,721	304,671	16,537	321,208	4,510	6,348	1,861
Exchange traded												
Futures	1,441	–	1,441	–	–	–	1,360	–	1,360	–	–	–
Purchased options	981	–	981	–	–	–	621	–	621	–	–	–
Written options	658	–	658	–	–	–	294	–	294	–	–	–
	3,080	–	3,080	–	–	–	2,275	–	2,275	–	–	–
Total Foreign Exchange Contracts	313,379	13,405	326,784	5,184	6,490	1,721	306,946	16,537	323,483	4,510	6,348	1,861
Commodity Contracts												
Over-the-counter												
Swaps	16,335	–	16,335	1,781	1,648	789	12,534	–	12,534	454	1,274	604
Purchased options	16,825	–	16,825	2,444	2,169	1,002	7,065	–	7,065	480	991	470
Written options	16,487	–	16,487	–	–	–	9,425	–	9,425	–	–	–
	49,647	–	49,647	4,225	3,817	1,791	29,024	–	29,024	934	2,265	1,074
Exchange traded												
Futures	1,337	–	1,337	–	–	–	1,187	–	1,187	–	–	–
Purchased options	799	–	799	–	–	–	2,026	–	2,026	–	–	–
Written options	806	–	806	–	–	–	2,612	–	2,612	–	–	–
	2,942	–	2,942	–	–	–	5,825	–	5,825	–	–	–
Total Commodity Contracts	52,589	–	52,589	4,225	3,817	1,791	34,849	–	34,849	934	2,265	1,074
Equity Contracts												
Over-the-counter	8,995	163	9,158	71	628	285	2,363	144	2,507	10	43	16
Exchange traded	1,540	–	1,540	–	–	–	956	–	956	–	–	–
Total Equity Contracts	10,535	163	10,698	71	628	285	3,319	144	3,463	10	43	16
Total	$ 1,359,039	$ 43,502	$ 1,402,541	$ 13,929	$ 14,500	$ 4,817	$ 1,096,959	$ 73,574	$ 1,170,533	$ 9,569	$ 12,448	$ 3,990

Included in the notional amounts is $1,701 as at October 31, 2000 and $8,888 as at October 31, 1999 related to the Managed Futures Certificates of Deposit Program. Risk exposures represented by the assets in this program are traded on behalf of customers with all gains and losses accruing to them.

Replacement cost is the total of unrealized gains and amounts receivable on derivative contracts. We excluded exchange traded instruments with unrealized gains of $158 as at October 31, 2000 and $207 as at October 31, 1999 because we are not required to provide capital against these instruments. Included in the total are unrealized gains on asset/liability management derivatives which we include in the Consolidated Balance Sheet on an accrual rather than market basis. The excess of market value over book value for these items was $90 as at October 31, 2000 and $181 as at October 31, 1999.

One technique that we use to reduce credit exposure is master netting agreements with customers, which allow us to net amounts due to/from a customer should the customer default on a contract. The potential reduction in replacement cost under master netting agreements was $4,763 as at October 31, 2000 and $2,658 as at October 31, 1999.

Transactions are conducted with counterparties in various geographic locations and industries. Based upon the ultimate risk, the replacement cost of contracts is recorded from customers located in:

	2000		1999	
Canada	$ 2,403	17%	$ 1,930	20%
United States	7,022	51	4,437	46
Other countries	4,504	32	3,202	34
Total	$ 13,929	100%	$ 9,569	100%

The replacement cost of contracts is recorded from customers in the following industries:

	2000								1999							
	Interest rate contracts		Foreign exchange contracts		Commodity contracts		Equity contracts		Interest rate contracts		Foreign exchange contracts		Commodity contracts		Equity contracts	
Financial institutions	$ 4,054	91%	$ 4,210	81%	$ 1,352	32%	$ 62	88%	$ 3,783	92%	$ 3,680	82%	$ 236	25%	$ 4	37%
Other	395	9	974	19	2,873	68	9	12	332	8	830	18	698	75	6	63
Total	$ 4,449	100%	$ 5,184	100%	$ 4,225	100%	$ 71	100%	$ 4,115	100%	$ 4,510	100%	$ 934	100%	$ 10	100%

Set out below are the maturities and weighted average interest rates paid and received on interest rate contracts:

	Term to maturity										2000	1999
	Within 1 year		1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years		Total notional amount	Total notional amount
Interest Rate Contracts		Rate %		Rate %		Rate %		Rate %		Rate %		
Fixed/Floating Swaps												
Canadian $ pay fixed	$ 21,884	5.80	$ 19,785	6.08	$ 10,871	6.14	$ 7,260	6.22	$ 2,042	6.34	$ 61,842	$ 58,642
Canadian $ receive fixed	20,125	5.88	25,099	5.88	11,840	6.25	14,570	5.93	1,808	6.32	73,442	70,976
US $ pay fixed	43,373	6.57	36,793	6.66	10,992	6.40	13,104	6.63	2,671	7.16	106,933	80,157
US $ receive fixed	30,885	6.37	23,515	6.42	11,000	6.52	12,197	6.62	2,814	7.31	80,411	71,230
Basis swaps	8,383	na	7,634	na	1,976	na	4,214	na	152	na	22,359	19,533
Other swaps	71,023	na	43,164	na	9,812	na	15,850	na	546	na	140,395	95,895
Total interest rate swaps	195,673		155,990		56,491		67,195		10,033		485,382	396,433
Forward rate agreements, futures and options	400,145	na	71,254	na	29,519	na	22,779	na	3,391	na	527,088	412,305
Total Interest Rate Contracts	595,818	na	227,244	na	86,010	na	89,974	na	13,424	na	1,012,470	808,738
Foreign Exchange Contracts												
Cross-currency swaps	683	na	460	na	10,405	na	2,637	na	1,087	na	15,272	14,884
Cross-currency interest rate swaps	13,576	na	14,252	na	7,490	na	8,927	na	951	na	45,196	39,896
Forward foreign exchange contracts, futures and options	251,642	na	12,930	na	1,186	na	530	na	28	na	266,316	268,703
Total Foreign Exchange Contracts	265,901	na	27,642	na	19,081	na	12,094	na	2,066	na	326,784	323,483
Commodity Contracts												
Swaps	11,403	na	4,290	na	509	na	133	na	–	na	16,335	12,534
Futures and options	26,876	na	9,334	na	44	na	–	na	–	na	36,254	22,315
Total Commodity Contracts	38,279	na	13,624	na	553	na	133	na	–	na	52,589	34,849
Total Equity Contracts	10,281	na	168	na	146	na	103	na	–	na	10,698	3,463
Total	$ 910,279	na	$ 268,678	na	$ 105,790	na	$ 102,304	na	$ 15,490	na	$ 1,402,541	$ 1,170,533

na = not applicable as weighted average rates are not meaningful.

US $ amounts are presented in Canadian $ equivalents.

Rates represent the weighted average interest rates which we are contractually committed to pay/receive until the swap matures. The floating side of substantially all Canadian $ swaps is based on the one-month or three-month Canadian Bankers' Acceptance Rate. For US $ swaps the floating side is generally based on the one-month, three-month or six-month London Interbank Offered Rate.

Basis swaps are floating interest rate swaps where amounts paid and received are based on different indices or pricing periods.

Other swaps are contracts where the fixed side is denominated in a source currency other than Canadian $ or US $.

The following table provides the fair value of our derivative financial instruments portfolio, which is represented by the sum of net unrealized gains and losses, accrued interest receivable or payable and premiums paid or received:

							2000			1999
	Customer trading			Asset/liability management			Total	Customer trading	Asset/liability management	Total
	Gross assets	Gross liabilities	Net	Gross assets	Gross liabilities	Net	Net	Net	Net	Net
Interest Rate Contracts										
Swaps	$ 3,320	$ (3,915)	$ (595)	$ 288	$ (167)	$ 121	$ (474)	$ (232)	$ 251	$ 19
Forward rate agreements	59	(55)	4	–	–	–	4	(15)	(1)	(16)
Futures	6	–	6	–	–	–	6	14	–	14
Purchased options	795	154	949	2	–	2	951	563	1	564
Written options	–	(781)	(781)	–	(2)	(2)	(783)	(462)	(14)	(476)
Foreign Exchange Contracts										
Cross-currency swaps	122	(195)	(73)	–	–	–	(73)	77	–	77
Cross-currency interest rate swaps	993	(821)	172	83	(306)	(223)	(51)	(18)	(273)	(291)
Forward foreign exchange contracts	2,967	(2,671)	296	87	(96)	(9)	287	539	(28)	511
Futures	–	–	–	–	–	–	–	–	–	–
Purchased options	952	–	952	–	–	–	952	554	–	554
Written options	–	(765)	(765)	–	–	–	(765)	(490)	–	(490)
Commodity Contracts										
Swaps	1,781	(1,784)	(3)	–	–	–	(3)	39	–	39
Futures	–	(2)	(2)	–	–	–	(2)	(1)	–	(1)
Purchased options	2,531	–	2,531	–	–	–	2,531	630	–	630
Written options	–	(1,914)	(1,914)	–	–	–	(1,914)	(425)	–	(425)
Equity Contracts	67	(146)	(79)	34	–	34	(45)	(124)	3	(121)
Total Fair Value	$ 13,593	$ (12,895)	$ 698	$ 494	$ (571)	$ (77)	$ 621	$ 649	$ (61)	$ 588
Total Book Value	$ 13,593	$ (12,895)	$ 698	$ 404	$ (447)	$ (43)	$ 655	$ 649	$ (83)	$ 566
Average Fair Value	$ 10,792	$ (10,061)	$ 731	$ 553	$ (582)	$ (29)	$ 702	$ 641	$ (112)	$ 529

In order to calculate fair values:

- Instruments are marked to market using quoted market rates and/or zero coupon valuation techniques.
- Zero coupon curves are created using generally accepted mathematical processes from underlying instruments such as cash, bonds, futures and off-balance sheet prices observable in the market.
- Options implied volatilities are either obtained directly from market sources or calculated from market prices utilizing the appropriate options pricing models given our assessment and market conventions.

Assets are shown net of liabilities to customers where we have an enforceable right to offset amounts and we intend to settle contracts on a net basis.

Note 22 Fair Value of Financial Instruments

As a financial institution we record trading assets at market values and non-trading assets and liabilities at their original amortized cost less allowances or write-downs for impairment. Fair value is subjective in nature, requiring a variety of valuation techniques and assumptions. The values are based upon the estimated amounts for individual assets and liabilities and do not include an estimate of the fair value of any of our legal entities or underlying operations that comprise our business.

Fair value amounts generally represent our estimate of the amounts we could exchange the financial instruments for with third parties who were interested in acquiring the instruments. In most cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In those cases, we have estimated fair value assuming that we will not sell the assets or liabilities, taking into account only changes in interest rates and credit risk that have occurred since we acquired them or entered into a contract.

Interest rate changes are the main cause of change in the fair value of our financial instruments.

Set out below is a comparison of the amounts which would be reported if all of our financial instrument assets and liabilities were reported at their fair values:

	2000				1999			
	Book value	Fair value of assets and liabilities	Fair value of ALM derivatives	Fair value over (under) book value	Book value	Fair value of assets and liabilities	Fair value of ALM derivatives	Fair value over (under) book value
Assets								
Cash resources	$ 18,508	$ 18,508	$ (9)	$ (9)	$ 24,036	$ 24,036	$ (10)	$ (10)
Securities (note 3)	46,463	46,648	40	225	43,273	42,733	39	(501)
Loans	133,817	132,730	(91)	(1,178)	138,001	136,832	(66)	(1,235)
Customers' liability under acceptances	8,630	8,630	–	–	6,753	6,753	–	–
Other assets	23,807	23,807	–	–	16,324	16,324	–	–
	231,225	230,323	(60)	(962)	228,387	226,678	(37)	(1,746)
Liabilities								
Deposits	156,697	156,730	(64)	(31)	156,874	156,710	(97)	(261)
Acceptances	8,630	8,630	–	–	6,753	6,753	–	–
Securities sold but not yet purchased	9,353	9,353	–	–	10,450	10,450	–	–
Securities sold under repurchase agreements	19,749	19,749	–	–	24,177	24,177	–	–
Other liabilities	22,115	22,117	–	2	16,668	16,674	–	6
Subordinated debt	4,911	5,078	38	205	4,712	4,851	38	177
	$ 221,455	$ 221,657	$ (26)	$ 176	$ 219,634	$ 219,615	$ (59)	$ (78)
Total				$ (1,138)				$ (1,668)

ALM – asset/liability management derivatives which we use to manage the interest rate and foreign exchange exposures arising from our on-balance sheet positions.

The following sets out the valuation methods and assumptions that we have used to estimate fair values:

Due to the short-term nature of certain assets and liabilities, we believe that the book value is comparable to the estimated fair value. These assets and liabilities include:

- Customers' liability under acceptances
- Other assets
- Acceptances
- Securities sold but not yet purchased
- Securities sold under repurchase agreements
- Other liabilities, excluding liabilities of subsidiaries, other than deposits.

The fair values of loans are determined using a variety of valuation methods, depending on the nature of the loan:

- Fair value of loans to and past due interest bonds of designated countries, as defined in note 4, is based on quoted market rates;
- Fair value of performing loans is calculated by adjusting the original value of the loan for changes in credit risk and interest rates since the time we granted the loan; and
- Fair value of impaired loans is equal to the book value which is calculated using the basis of valuation described in notes 4 and 5.

The fair value of our deposits is determined by discounting the cash flows to be paid on the deposits using market interest rates currently offered for similar deposits.

The fair value of our subordinated debt and liabilities of subsidiaries is determined by referring to current market prices for similar debt instruments.

Premises and equipment are not financial instruments and have been excluded from our estimate of fair value. The net amounts excluded totalled $2,171 as at October 31, 2000 and $2,228 as at October 31, 1999.

Note 23 Reconciliation of Canadian and United States Generally Accepted Accounting Principles

We prepare our consolidated financial statements in accordance with generally accepted accounting principles (referred to as "GAAP") in Canada, including the accounting requirements of our regulator, the Superintendent of Financial Institutions Canada. Set out below are the more significant differences which would result if United States generally accepted accounting principles were applied in the preparation of our consolidated financial statements.

Condensed Consolidated Balance Sheet
As at October 31 (Canadian $ in millions)

	2000			1999		
	Canadian GAAP	Increase (Decrease)	United States GAAP	Canadian GAAP	Increase (Decrease)	United States GAAP
Assets						
Cash Resources	$ 18,508	$ –	$ 18,508	$ 24,036	$ –	$ 24,036
Securities	46,463	305	46,768	43,273	(312)	42,961
Loans, net of the allowance for credit losses	133,817	–	133,817	138,001	–	138,001
Other	34,608	(167)	34,441	25,305	113	25,418
Total Assets	$ 233,396	$ 138	$ 233,534	$ 230,615	$ (199)	$ 230,416
Liabilities and Shareholders' Equity						
Deposits	$ 156,697	$ –	$ 156,697	$ 156,874	$ –	$ 156,874
Other Liabilities	59,847	283	60,130	58,048	179	58,227
Subordinated Debt	4,911	–	4,911	4,712	–	4,712
Shareholders' Equity (1)	11,941	(145)(6)	11,796	10,981	(378)(5)	10,603
Total Liabilities and Shareholders' Equity	$ 233,396	$ 138	$ 233,534	$ 230,615	$ (199)	$ 230,416

Condensed Consolidated Statement of Income
For the Year Ended October 31 (Canadian $ in millions except per share amounts)

	2000			1999			1998		
	Canadian GAAP	**Increase (Decrease)**	**United States GAAP**	Canadian GAAP	Increase (Decrease)	United States GAAP	Canadian GAAP	Increase (Decrease)	United States GAAP
Interest, Dividend and Fee Income	**$ 14,303**	**$ –**	**$ 14,303**	$ 13,174	$ (34)(2)	$ 13,140	$ 14,121	$ (8)(2)	$ 14,113
Interest Expense	**10,099**	**–**	**10,099**	8,895	–	8,895	10,097	–	10,097
Net Interest Income	**4,204**	**–**	**4,204**	4,279	(34)	4,245	4,024	(8)	4,016
Provision for credit losses	**358**	**–**	**358**	320	–	320	130	–	130
Net Interest Income After Provision for Credit Losses	**3,846**	**–**	**3,846**	3,959	(34)	3,925	3,894	(8)	3,886
Other Income	**4,326**	**(19)(3)**	**4,307**	3,511	(15)(3)	3,496	3,118	130(3)	3,248
Net Interest and Other Income	**8,172**	**(19)**	**8,153**	7,470	(49)	7,421	7,012	122	7,134
Total non-interest expense before restructuring charge	**5,301**	**111(4)**	**5,412**	5,147	161(4)	5,308	4,785	207(4)	4,992
Restructuring charge	**(43)**	**–**	**(43)**	141	–	141	–	–	–
Total non-interest expense	**5,258**	**111**	**5,369**	5,288	161	5,449	4,785	207	4,992
Income Before Provision for Income Taxes, Non-Controlling Interest in Subsidiaries and Goodwill	**2,914**	**(130)**	**2,784**	2,182	(210)	1,972	2,227	(85)	2,142
Income taxes	**989**	**(35)(5)**	**954**	736	(58)	678	810	8	818
	1,925	**(95)**	**1,830**	1,446	(152)	1,294	1,417	(93)	1,324
Non-controlling interest	**19**	**–**	**19**	21	–	21	25	–	25
Net Income Before Goodwill	**1,906**	**(95)**	**1,811**	1,425	(152)	1,273	1,392	(93)	1,299
Amortization of goodwill, net of applicable income tax	**49**	**(49)(4[viii])**	**–**	43	(43)(4[viii])	–	42	(42)(4[viii])	–
Net Income	**$ 1,857**	**$ (46)**	**$ 1,811**	$ 1,382	$ (109)	$ 1,273	$ 1,350	$ (51)	$ 1,299
Net Income Per Common Share									
Basic	**$ 6.61**	**$ (0.17)**	**$ 6.44**	$ 4.76	$ (0.41)	$ 4.35	$ 4.72	$ (0.20)	$ 4.52
Fully diluted	**6.56**	**(0.19)**	**6.37**	4.72	(0.43)	4.29	4.66	(0.21)	4.45

Consolidated Statement of Comprehensive Income
For the Year Ended October 31 (Canadian $ in millions)

	2000	1999	1998
Net Income (under United States GAAP)	**$ 1,811**	$ 1,273	$ 1,299
Other Comprehensive Income, net of tax:			
Unrealized gain (loss) on translation of net investment in foreign operations, net of hedging activities (a)	**143**	(154)	229
Unrealized holding gains (losses) arising on available for sale securities (b)	**307**	(426)	56
Reclassification adjustment for realized (gains) losses and write-downs on available for sale securities recognized in net income (c)	**(42)**	49	(56)
Total Other Comprehensive Income	**408**	(531)	229
Comprehensive Income	**$ 2,219**	$ 742	$ 1,528

(a) Net of income taxes of $153 ($168 in 1999, $231 in 1998).
(b) Net of income taxes of $222 ($310 in 1999, $42 in 1998).
(c) Net of income taxes of $30 ($36 in 1999, $41 in 1998).

(1) The accumulated balances related to each component of other comprehensive income, net of tax, are as follows:

	2000	1999
Unrealized gain (loss) on translation of net investment in foreign operations, net of hedging activities	**$ 303**	$ 160
Net unrealized gains (losses) on available for sale securities (i)	**83**	(182)
Total Accumulated Other Comprehensive Income	**$ 386**	$ (22)

(i) Under United States GAAP, Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", we have designated as available for sale securities all of our investment securities, other than our investment in our investment securities accounted for using the equity method. Available for sale securities are carried at fair value, with any unrealized gains (losses) recognized through other comprehensive income. Under Canadian GAAP, investment securities are carried at amortized cost.

(2) Under United States GAAP, Emerging Issues Task Force No. 94-8, "Accounting for Conversion of a Loan into a Debt Security in a Debt Restructuring", the fair value of securities received in a restructuring as settlement of a claim for past-due interest on a loan should be recognized in income when received. Under Canadian GAAP, we record the securities at a nominal value when received and recognize any gains in income only when the securities are sold.

(3) Under United States GAAP, Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", gains on all securitized assets are recognized at the date of securitization. Under Canadian GAAP, gains on sale of NHA-insured mortgages are recognized at the date of securitization and gains on sale of other securitized assets must be deferred and recognized over the life of the securitization.

(4) The impact of applying United States GAAP to non-interest expense before restructuring charge is as follows:

	2000	1999	1998
Increase (decrease)			
Foreign currency translation (i)	$ –	$ 18	$ 51
Merger costs (ii)	–	8	27
Pension benefits (iii)	45	36	38
Other post-retirement benefits (iv)	32	31	33
Other post-employment benefits (v)	5	5	5
Stock options (vi)	32	24	13
Amortization of goodwill (vii)	(10)	(10)	(8)
Amortization of goodwill (viii)	54	49	48
Software development costs (ix)	(47)	–	–
Total	**$ 111**	$ 161	$ 207

(i) Under United States GAAP, Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation", Mexico was prescribed by the Securities and Exchange Commission to be a highly inflationary economic environment for our quarter beginning February 1, 1997 up to and including our quarter ended January 31, 1999. As a result, translation losses on our investment in Bancomer are required to be reported in net income under United States GAAP. Under Canadian GAAP, Mexico was not considered to be a highly inflationary economic environment during these periods.
(ii) Under United States GAAP, Accounting Principles Board Opinion No. 16, "Business Combinations", the costs associated with our proposed merger with Royal Bank are required to be reported in net income as incurred. Under Canadian GAAP, we treated these expenses as a reduction in retained earnings.
(iii) Under United States GAAP, Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", we use a market discount rate to value our pension obligation which is a key component of our pension expense. Under Canadian GAAP, the rate used to discount our pension obligation is management's best estimate of the long-term rate of return on assets.
(iv) Under United States GAAP, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", benefits paid to retirees, other than pension, must be accrued over the working lives of the employees. Under Canadian GAAP, we expense these costs as incurred.
(v) Under United States GAAP, Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits", benefits under various disability plans must be accrued when certain conditions are met. Under Canadian GAAP, we expense these costs as incurred.
(vi) Under United States GAAP, Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", the fair value of stock options granted is recognized as compensation expense over the period that the options vest. Under Canadian GAAP, we include the amount of proceeds in shareholders' equity when the options are exercised.
(vii) Under United States GAAP, Accounting Principles Board Opinion No. 16, "Business Combinations", our acquisition of Suburban Bank Corp. would have been accounted for using the pooling-of-interests method. Under Canadian GAAP, we accounted for this purchase using the purchase method as this was not a merger of equals.
(viii) In Canada, the Accounting Standards Board has approved an addendum to "Business Combinations, Section No. 1580" that permits goodwill amortization expense to be presented net-of-tax on a separate line in the Consolidated Statement of Income. This presentation is not currently permitted under United States GAAP but has been proposed in a Financial Accounting Standards Board Exposure Draft.
(ix) Under United States GAAP, Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" which became effective for fiscal 2000 reporting, certain costs of internally developed software are required to be capitalized and amortized over the expected useful life of the software. Under Canadian GAAP, all costs of internally developed software are expensed as incurred.

(5) In addition to the tax impact of differences outlined above, under Canadian GAAP the federal income tax rate reduction of 1% that becomes effective January 1, 2001 is reflected in the rate used to measure our future income tax balances. Under United States GAAP, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", this rate change does not impact the measurement of our future income tax balances until it is passed into law.

(6) Includes cumulative adjustment to shareholders' equity arising from current and prior years' GAAP differences.

Future Changes in United States Accounting Policies

We will be required to adopt for United States reporting purposes Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", starting with our financial statements for the year ending October 31, 2001. This Statement outlines accounting and reporting standards for derivative instruments and hedging activities.

Under this standard, all derivatives will be recognized at fair value in the balance sheet. Changes in the fair value of derivatives that are not hedges will be recognized in the Consolidated Statement of Income as they arise. This is not a change from our existing accounting policy for trading derivatives. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset in the Consolidated Statement of Income against the change in the fair value of the hedged asset, liability or firm commitment or it will be recognized in other comprehensive income until the hedged item is recognized in the Consolidated Statement of Income. If the change in the fair value of the derivative is not completely offset by the change in the value of the item it is hedging, the difference will be recognized immediately in the Consolidated Statement of Income.

The ultimate impact of this standard on our earnings and financial position is dependent on the hedging strategies applied to our derivative portfolio and the composition of that portfolio on and after November 1, 2000. The transition adjustments arising from the application of Statement No. 133 on November 1, 2000 are expected to increase consolidated assets by $163, increase consolidated liabilities by $149, increase other comprehensive income by $13 and increase net income by $1.

We will be required to adopt Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement revises the standard on accounting for securitizations and other transfers of financial assets. The adoption of this standard for United States reporting purposes is not expected to have a material effect on our reported assets or net income.

Statement of Management's Responsibility for Financial Information

The Bank's management is responsible for presentation and preparation of the annual consolidated financial statements, Management Analysis of Operations ("MAO") and all other information in the Annual Report.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the requirements of the Securities and Exchange Commission in the United States. The financial statements also comply with the provisions of the Bank Act and related regulations, including the accounting requirements of the Superintendent of Financial Institutions Canada.

The MAO has been prepared in accordance with the requirements of securities regulators including National Policy 47 of the Canadian Securities Administrators as well as Item 303 of Regulation S-K of the Securities Exchange Act, and their related published requirements.

The consolidated financial statements and information in the MAO necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MAO also includes information regarding the estimated impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

In meeting our responsibility for the reliability of financial information, we maintain and rely on a comprehensive system of internal control and internal audit including organizational and procedural controls and internal accounting controls. Our system of internal control includes written communication of our policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel; and sound and conservative accounting policies which we regularly update. This structure ensures appropriate internal control over transactions, assets and records. We also regularly audit internal controls. These controls and audits are designed to provide us with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and we are in compliance with all regulatory requirements. In order to provide their opinion on our consolidated financial statements, the Shareholders' Auditors review our system of internal control and conduct their work to the extent that they consider appropriate.

The Board of Directors is responsible for reviewing and approving the financial information contained in the Annual Report, including the MAO, and overseeing management's responsibilities for the presentation and preparation of financial information, maintenance of appropriate internal controls, management and control of major risk areas and assessment of significant and related party transactions. The Board delegates these responsibilities to its Audit and Conduct Review Committees, comprised of non-Bank directors, and its Risk Review Committee.

The Shareholders' Auditors and the Bank's Chief Auditor have full and free access to the Board of Directors and its committees to discuss audit, financial reporting and related matters.

F. Anthony Comper
Chairman and
Chief Executive Officer

Karen E. Maidment
Executive Vice-President
and Chief Financial Officer

Shareholders' Auditors' Report

To the Shareholders of Bank of Montreal

We have audited the consolidated balance sheets of Bank of Montreal as at October 31, 2000 and 1999 and the related consolidated statements of income, changes in shareholders' equity and cash flow for each of the years in the three-year period ended October 31, 2000. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2000 and 1999 and the results of its operations and its cash flow for each of the years in the three-year period ended October 31, 2000 in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

KPMG LLP
Chartered Accountants

PricewaterhouseCoopers LLP
Chartered Accountants

Canada
November 28, 2000

Bank Owned Corporations

Corporations in which the Bank owns more than 50% of the issued and outstanding voting shares	Head office	Percent of voting shares owned by the Bank	Book value of common and preferred shares owned by the Bank (Cdn $ in millions)
Bank of Montreal Assessoria e Serviços Ltda.	Rio de Janeiro, Brazil	100	–
Bank of Montreal Capital Corporation	Toronto, Canada	100	71
Bank of Montreal Capital Markets (Holdings) Limited	London, England	100	78
BMO Nesbitt Burns Limited (U.K.)	London, England	100	
Bank of Montreal Finance Ltd.	Toronto, Canada	50.01	1
Bank of Montreal Global Capital Solutions Ltd.	Calgary, Canada	100	13
Bank of Montreal Holding Inc.	Calgary, Canada	100	4,107
Bank of Montreal Asia Limited	Singapore, Republic of Singapore	100	
Bank of Montreal Insurance (Barbados) Limited	Bridgetown, Barbados	100	
Bank of Montreal Securities Canada Limited	Toronto, Canada	100	
BMO Nesbitt Burns Corporation Limited and subsidiaries	Montreal, Canada	100	
BMO Investments Ltd. and subsidiary	Hamilton, Bermuda	100	
Bank of Montreal Ireland plc	Dublin, Ireland	100	1,151
Bank of Montreal Mortgage Corporation	Calgary, Canada	100	1,642
BMRI Realty Investments	Toronto, Canada	100	
Bankmont Financial Corp.	Wilmington, United States	100	4,585
BMO Financial, Inc.	Wilmington, United States	100	
BMO Global Capital Solutions, Inc. and subsidiary	Wilmington, United States	100	
BMO Managed Investments Corporation	Chicago, United States	100	
BMO Nesbitt Burns Corp.	Chicago, United States	100	
BMO Nesbitt Burns Equity Group (U.S.), Inc. and subsidiaries	Chicago, United States	100	
BMO Nesbitt Burns Financing, Inc.	Chicago, United States	100	
EFS (U.S.), Inc. and subsidiaries	Chicago, United States	100	
Freeman Welwood & Co., Inc.	Seattle, United States	100	
Harris Bankcorp, Inc. and subsidiaries	Chicago, United States	100	
Harris InvestorLine, Inc.	Chicago, United States	100	
Harris Trust/Bank of Montreal	West Palm Beach, United States	100	
BMO Investments Inc.	Toronto, Canada	100	79
BMO InvestorLine Inc.	Toronto, Canada	100	48
BMO Ireland Finance Company	Dublin, Ireland	100	601
BMO Nesbitt Burns Equity Partners Inc.	Toronto, Canada	100	78
BMO (N.S.) Holdings Co.	Halifax, Canada	100	1,210
BMO (U.S.) Finance, LLC	Wilmington, United States	100	
Cebra Inc.	Toronto, Canada	100	28
Lakeshore Funding Company, LLC	Wilmington, United States	100	1,268
MyChoice Inc.	Toronto, Canada	80	1
The Trust Company of Bank of Montreal	Toronto, Canada	100	32
Xceed Mortgage Corporation	Toronto, Canada	100	4

The above is a list of all our directly held corporations, as well as their directly held corporations, and thereby includes all of our major operating companies. The book values of the corporations shown represent the total common and preferred equity value of our holdings.

We own 100% of the outstanding non-voting shares of subsidiaries except for Bank of Montreal Securities Canada Limited, of which we own 89.14% of the outstanding non-voting shares.

Supplemental Information

Table 1 Shareholder Value

As at or for the year ended October 31	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Market Price per Common Share ($) (a)										
High	**71.600**	69.600	87.000	61.600	41.650	31.000	30.750	27.375	24.125	19.188
Low	**42.000**	49.350	51.750	39.050	29.375	24.125	22.000	21.313	18.563	13.250
Close	**70.500**	56.650	63.100	60.850	40.550	29.750	25.125	26.875	23.563	18.688
Common Dividends										
Dividends declared ($) (a)	**2.00**	1.88	1.76	1.64	1.48	1.32	1.20	1.12	1.06	1.06
Dividends paid ($) (a)	**1.97**	1.85	1.76	1.60	1.41	1.29	1.18	1.11	1.06	1.06
Dividend payout ratio (%)	**30.2**	39.6	37.4	35.0	35.1	38.2	40.3	43.3	44.7	46.0
Dividend yield (%)	**3.5**	2.9	2.9	3.9	4.7	5.1	4.4	4.7	5.7	7.9
Total Shareholder Return (TSR) (b)										
TSR (%)	**29.0**	(7.4)	6.4	55.0	42.4	24.1	(2.3)	19.4	32.4	47.4
Five-year TSR (%)	**22.9**	22.0	23.3	26.1	22.2	23.1	14.3	20.6	19.8	9.1
Common Share Information										
Number of common shares outstanding (in thousands) (a)										
As at	**261,292**	267,032	264,433	261,436	259,937	263,685	265,457	249,094	244,819	238,770
Average – basic	**265,659**	265,862	262,511	260,410	261,233	265,632	251,307	247,727	242,079	235,085
– fully diluted	**271,085**	272,573	269,048	268,700	268,362	273,919	256,496	252,634	245,131	235,085
Number of shareholder accounts	**46,663**	49,369	51,387	53,651	55,571	57,187	58,879	62,342	65,723	72,887
Total book value per common share ($) (a)	**39.27**	34.87	32.71	29.18	25.89	23.41	21.39	19.40	17.69	16.05
Total market value of common shares ($ billions)	**18.4**	15.1	16.7	15.9	10.5	7.8	6.7	6.7	5.8	4.5
Price-to-earnings ratio (times)	**10.7**	11.9	13.4	13.0	9.6	8.6	8.3	10.4	9.9	8.1
Market-to-book value (times)	**1.8**	1.62	1.93	2.09	1.57	1.27	1.17	1.39	1.33	1.16
Equity-to-assets ratio	**5.44**	4.93	5.00	4.36	4.56	4.74	4.85	4.93	4.80	4.65

Table 2 Earnings Growth ($ millions except as noted)

For the year ended October 31	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Income Statement										
Net interest income (TEB) (b)	**4,338**	4,417	4,152	4,186	3,711	3,564	3,325	3,207	3,038	2,734
Other income	**4,326**	3,511	3,118	2,981	2,516	2,102	1,871	1,654	1,404	1,261
Total revenues (TEB) (b)	**8,664**	7,928	7,270	7,167	6,227	5,666	5,196	4,861	4,442	3,995
Provision for credit losses	**358**	320	130	275	225	275	510	675	550	337
Non-interest expense	**5,258**	5,288	4,785	4,567	3,913	3,612	3,208	2,897	2,749	2,590
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill	**3,048**	2,320	2,355	2,325	2,089	1,779	1,478	1,289	1,143	1,068
Income taxes (TEB) (b)	**1,123**	874	938	954	866	746	627	555	483	452
Non-controlling interest	**19**	21	25	25	20	13	11	6	4	6
Net income before goodwill	**1,906**	1,425	1,392	1,346	1,203	1,020	840	728	656	610
Amortization of goodwill, net of applicable income tax	**49**	43	42	41	35	34	15	19	16	15
Net income	**1,857**	1,382	1,350	1,305	1,168	986	825	709	640	595
Year-over-year growth (%)	**34.4**	2.4	3.5	11.7	18.4	19.5	16.4	10.9	7.5	13.9
Earnings per Share (EPS) before Goodwill ($) (a)										
Basic	**6.79**	4.92	4.88	4.85	4.35	3.58	3.07	2.67	2.45	2.37
Fully diluted	**6.74**	4.88	4.81	4.77	4.26	3.51	3.03	2.63	2.43	2.37
Year-over-year growth (%)	**38.1**	1.5	0.8	12.0	21.4	15.8	15.2	8.2	2.5	9.2
Earnings per Share (EPS) ($) (a)										
Basic	**6.61**	4.76	4.72	4.69	4.21	3.45	3.01	2.59	2.38	2.31
Fully diluted	**6.56**	4.72	4.66	4.62	4.13	3.38	2.97	2.55	2.36	2.31
Year-over-year growth (%)	**39.0**	1.3	0.9	11.9	22.2	13.8	16.5	8.1	2.2	10.0
Basic Cash-Based Earnings per Share (EPS) ($) (c)	**6.89**	5.01	4.98	4.97	4.44	3.67	3.15	2.73	2.38	2.31
Year-over-year growth (%)	**37.5**	0.6	0.2	11.9	21.0	16.5	15.4	14.7	3.0	10.0

Table 3 Profitability ($ millions except as noted)

For the year ended October 31	2000	1999*	1998*	1997*	1996*	1995*	1994*	1993*	1992*	1991*
Net income	**1,857**	1,382	1,350	1,305	1,168	986	825	709	640	595
Preferred dividends	**101**	117	112	83	69	69	69	68	64	51
Net income available to common shareholders	**1,756**	1,265	1,238	1,222	1,099	917	756	641	576	544
Average common shareholders' equity	**9,745**	8,976	8,128	7,165	6,457	5,937	5,088	4,564	4,072	3,623
Return on common shareholders' equity (ROE) (%)	**18.0**	14.1	15.2	17.1	17.0	15.4	14.9	14.1	14.1	15.0
Return on average total equity (%)	**16.3**	12.8	13.8	15.8	16.0	14.5	13.9	13.1	13.2	14.2
Cash-based ROE (%) (d)	**18.8**	14.8	16.1	18.0	17.9	16.4	15.5	14.8	NA	NA
Return on average assets (%)	**0.79**	0.61	0.59	0.66	0.74	0.68	0.68	0.63	0.61	0.63
Return on average assets available to common shareholders (%)	**0.75**	0.56	0.54	0.62	0.69	0.64	0.62	0.57	0.55	0.58

*Restated to give effect to the current year's presentation.

(a) Restated to reflect the effect of the two-for-one stock distribution completed in March 1993.

(b) Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

(c) Cash-based EPS is earnings per share as reported adjusted for the after-tax impact on earnings of the amortization of non-cash goodwill and intangible assets.

(d) Cash-based ROE is return on common shareholders' equity as reported adjusted for the after-tax impact on earnings of the amortization of non-cash goodwill and intangible assets. Equity is not adjusted to exclude non-cash goodwill and other valuation intangibles.

Table 4 Total Revenue Detail ($ millions except as noted)

For the year ended October 31	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Total revenue (TEB) (a)	**8,664**	7,928	7,270	7,167	6,227	5,666	5,196	4,861	4,442	3,995
Year-over-year growth (%)	**9.3**	9.0	1.4	15.1	9.9	9.0	6.9	9.4	11.2	9.4
Net Interest Income										
Net interest income as reported	**4,204**	4,279	4,024	4,077	3,603	3,480	3,258	3,139	2,971	2,666
Taxable equivalent adjustment (TEB) (a)	**134**	138	128	109	108	84	67	68	67	68
Net interest income (TEB) (a)	**4,338**	4,417	4,152	4,186	3,711	3,564	3,325	3,207	3,038	2,734
Year-over-year growth (%)	**(1.8)**	6.4	(0.8)	12.8	4.1	7.2	3.7	5.6	11.1	6.2
Non-recurring items (f)	**0**	0	0	0	0	0	0	0	6	14
Net interest income (TEB) excluding non-recurring items (f)	**4,338**	4,417	4,152	4,186	3,711	3,564	3,325	3,207	3,032	2,720
Year-over-year growth (%)	**(1.8)**	6.4	(0.8)	12.8	4.1	7.2	3.7	5.8	11.4	18.8
Margin										
Total average assets (b)	**234,944**	226,714	227,450	196,721	158,316	144,115	122,234	113,387	104,591	94,118
Average net interest margin (%)	**1.85**	1.95	1.83	2.13	2.34	2.47	2.72	2.83	2.90	2.91
Average net interest margin excluding non-recurring items (%)	**1.85**	1.95	1.83	2.13	2.34	2.47	2.72	2.83	2.90	2.89
Average Canadian dollar margin (%)	**2.70**	2.82	2.52	2.70	2.94	3.39	3.48	3.44	3.65	3.43
Average U.S. dollar and other currencies margin (%)	**1.01**	1.19	1.17	1.48	1.58	1.22	1.59	1.94	1.84	2.11
Other Income										
Deposit and payment service charges	**646**	616	558	508	473	451	437	430		
Lending fees	**322**	329	290	240	194	186	180	145		
Capital market fees	**1,069**	841	869	919	760	495	313	238		
Card services	**216**	205	196	251	234	230	211	208		
Investment management and custodial fees	**373**	419	407	299	221	240	197	194		
Mutual fund revenues	**232**	207	199	155	87	53	56	30		
Trading revenues	**388**	295	40	276	277	225	226	202		
Securitization revenues	**343**	296	158	32	0	0	0	0		
Other fees and commissions										
Revenue from insurance-related activities	**96**	73	62	62	44	36	51	18		
Gains (losses) on disposal of premises and equipment	**(9)**	(1)	7	(5)	(22)	(26)	(12)	4		
Foreign exchange revenues other than trading	**146**	133	103	126	120	99	89	48		
Investment securities gains (losses) (b)	**183**	(85)	97	52	71	46	37	40		
Gains (losses) on sale of discontinued businesses (c)	**114**	27	0	0	0	0	0	0		
Other	**207**	156	132	66	57	67	86	97		
Total other fees and commissions	**737**	303	401	301	270	222	251	207		
Total other income	**4,326**	3,511	3,118	2,981	2,516	2,102	1,871	1,654	1,404	1,261
Year-over-year growth (%)	**23.2**	12.6	4.6	18.5	19.7	12.3	13.1	17.8	11.4	16.9
Other income as a % of total revenue	**49.9**	44.3	42.9	41.6	40.4	37.1	36.0	34.0	31.6	31.5
Total other income	**4,326**	3,511	3,118	2,981	2,516	2,102	1,871	1,654	1,404	1,261
Non-recurring items (f)	**226**	(28)	0	0	0	0	0	0	0	(22)
Other income excluding non-recurring items	**4,100**	3,539	3,118	2,981	2,516	2,102	1,871	1,654	1,404	1,283
Year-over-year growth (%)	**15.8**	13.5	4.6	18.5	19.7	12.3	13.1	17.8	9.5	9.4
Other income as a % of total revenue	**48.6**	44.5	42.9	41.6	40.4	37.1	36.0	34.0	31.6	32.0
Other Information (units – as at October 31)										
Number of employees (d)	**33,200**	32,844	33,400	34,286	33,468	33,341	34,769	32,067	32,126	32,130
Number of bank branches	**1,135**	1,198	1,216	1,246	1,296	1,245	1,248	1,214	1,231	1,239
Number of automated banking machines (Canada)	**1,987**	2,039	2,069	2,035	2,017	1,763	1,708	1,538	1,293	1,221
Rates										
Average Canadian prime rate (%)	**7.05**	6.49	6.44	4.80	6.67	8.58	6.42	6.44	7.49	10.74
Average U.S. prime rate (%)	**9.18**	8.00	8.59	8.51	8.49	8.89	6.69	6.04	6.59	9.02
Canadian/U.S. dollar exchange rates ($) (e)										
High	**1.44**	1.45	1.40	1.33	1.34	1.33	1.29	1.24	1.12	1.12
Low	**1.53**	1.56	1.58	1.41	1.38	1.42	1.40	1.34	1.26	1.17
Average	**1.48**	1.50	1.46	1.37	1.37	1.38	1.36	1.29	1.19	1.15
End of period	**1.52**	1.47	1.54	1.41	1.34	1.34	1.35	1.32	1.24	1.12

(a) Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

(b) Includes a $112 million gain on sale of Partners First in 2000.

(c) Includes a $40 million gain on sale of branches and a $74 million gain on sale of Corporate Trust in 2000. Also includes a $26.5 million gain on sale of Global Custody in 1999.

(d) This number constitutes full-time equivalent number of employees, comprising full-time, part-time and over-time employees.

(e) Rates are expressed in Canadian dollars. Rates are the noon buying rates in New York for cable transfer in U.S. dollars as certified for customs purposes by the Federal Reserve Bank of New York, i.e., "the Noon Buying Rate."

(f) Excludes non-recurring items as outlined in Table 19 on page 82.

Table 5 Average Balances and Average Interest Rates of Assets and Liabilities ($ millions except as noted)

For the year ended October 31	2000 Average balances	2000 Average interest yield (%)	2000 Interest income	1999 Average balances	1999 Average interest yield (%)	1999 Interest income	1998 Average balances	1998 Average interest yield (%)	1998 Interest income
Assets									
Canadian Dollars									
Deposits with other banks	**2,272**	**5.50**	**125**	1,442	5.08	73	1,931	4.36	84
Securities	**19,972**	**5.98**	**1,194**	13,730	6.17	847	23,322	5.20	1,214
Loans									
Residential mortgages	**35,247**	**6.48**	**2,283**	33,124	6.42	2,127	33,945	6.58	2,233
Non-residential mortgages	**2,142**	**7.22**	**155**	2,017	7.14	144	1,801	7.16	129
Consumer instalment and other personal loans	**14,061**	**8.42**	**1,184**	13,260	7.75	1,027	12,575	7.64	960
Credit card loans	**1,251**	**9.98**	**125**	932	10.20	95	810	11.69	95
Loans to businesses and governments (a)	**26,270**	**6.92**	**1,817**	24,881	6.81	1,694	25,072	7.09	1,777
Total loans	**78,971**	**7.05**	**5,564**	74,214	6.85	5,087	74,203	7.00	5,194
Other non-interest bearing assets	**14,477**			16,445			11,053		
Total Canadian dollars	**115,692**	**5.95**	**6,883**	105,831	5.68	6,007	110,509	5.88	6,492
U.S. Dollar and Other Currencies									
Deposits with other banks	**17,792**	**5.17**	**920**	21,116	4.71	996	24,595	5.80	1,427
Securities	**26,722**	**6.71**	**1,793**	26,781	6.49	1,738	24,005	6.28	1,508
Loans									
Residential mortgages	**3,726**	**6.71**	**251**	3,479	6.65	232	3,033	7.36	223
Non-residential mortgages	**1,391**	**8.11**	**113**	1,234	8.26	102	965	8.47	83
Consumer instalment and other personal loans	**3,352**	**8.45**	**283**	3,027	7.87	238	2,883	8.45	243
Credit card loans	**28**	**4.65**	**1**	22	4.04	1	341	15.77	54
Loans to businesses and governments (a)	**47,871**	**8.76**	**4,193**	53,620	7.46	3,998	49,261	8.57	4,219
Total loans	**56,368**	**8.59**	**4,841**	61,382	7.45	4,571	56,483	8.54	4,822
Other non-interest bearing assets	**18,370**			11,604			11,858		
Total U.S. dollar and other currencies	**119,252**	**6.33**	**7,554**	120,883	6.04	7,305	116,941	6.63	7,757
Total All Currencies									
Total assets and interest income	**234,944**	**6.15**	**14,437**	226,714	5.87	13,312	227,450	6.27	14,249

For the year ended October 31	2000 Average balances	2000 Average interest cost (%)	2000 Interest expense	1999 Average balances	1999 Average interest cost (%)	1999 Interest expense	1998 Average balances	1998 Average interest cost (%)	1998 Interest expense
Liabilities									
Canadian Dollars									
Deposits									
Banks	**2,364**	**4.09**	**96**	2,597	3.82	99	3,638	4.57	166
Businesses and governments	**31,432**	**4.02**	**1,264**	23,883	3.07	734	26,895	3.75	1,009
Individuals	**45,697**	**3.62**	**1,652**	43,943	3.19	1,400	43,291	3.17	1,373
Total deposits	**79,493**	**3.79**	**3,012**	70,423	3.17	2,233	73,824	3.45	2,548
Subordinated debt and other interest bearing liabilities	**12,470**	**5.95**	**743**	12,856	6.17	793	19,086	6.11	1,165
Other non-interest bearing liabilities	**12,682**			12,089			8,159		
Total Canadian dollars	**104,645**	**3.59**	**3,755**	95,368	3.17	3,026	101,069	3.67	3,713
U.S. Dollar and Other Currencies									
Deposits									
Banks	**26,679**	**5.66**	**1,511**	27,262	4.63	1,261	30,105	5.53	1,664
Businesses and governments	**36,863**	**5.96**	**2,197**	36,824	5.87	2,161	34,202	7.25	2,480
Individuals	**16,409**	**4.30**	**706**	16,152	4.17	673	15,003	3.76	563
Total deposits	**79,951**	**5.52**	**4,414**	80,238	5.10	4,095	79,310	5.93	4,707
Subordinated debt and other interest bearing liabilities	**26,360**	**7.32**	**1,930**	32,189	5.51	1,774	27,867	6.02	1,677
Other non-interest bearing liabilities	**12,574**			8,083			9,398		
Total U.S. dollar and other currencies	**118,885**	**5.34**	**6,344**	120,510	4.87	5,869	116,575	5.48	6,384
Total All Currencies									
Total liabilities and interest expense	**223,530**	**4.52**	**10,099**	215,878	4.12	8,895	217,644	4.64	10,097
Shareholders' equity	**11,414**			10,836			9,806		
Total liabilities, interest expense and shareholders' equity	**234,944**	**4.30**	**10,099**	226,714	3.92	8,895	227,450	4.44	10,097
Net interest spread on average assets and net interest income		**1.85**	**4,338**		1.95	4,417		1.83	4,152

The above table presents daily average balances and average yield and cost on assets and liabilities on a taxable equivalent basis.

Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

(a) Includes securities purchased under resale agreements.

Table 6 Volume/Rate Analysis of Changes in Net Interest Income ($ millions)

For the year ended October 31	2000/1999 Increase (decrease) due to change in: Average balance	Average rate	Total	1999/1998 Increase (decrease) due to change in: Average balance	Average rate	Total
Assets						
Canadian Dollars						
Deposits with other banks	42	10	52	(21)	10	(11)
Securities	385	(38)	347	(500)	133	(367)
Loans						
Residential mortgages	135	21	156	(54)	(52)	(106)
Non-residential mortgages	9	2	11	15	0	15
Consumer instalment and other personal loans	63	94	157	52	15	67
Credit card loans	33	(3)	30	14	(14)	0
Loans to businesses and governments (a)	95	28	123	(12)	(71)	(83)
Total loans	335	142	477	15	(122)	(107)
Change in Canadian dollar interest income	762	114	876	(506)	21	(485)
U.S. Dollar and Other Currencies						
Deposits with other banks	(157)	81	(76)	(201)	(230)	(431)
Securities	(3)	58	55	174	56	230
Loans						
Residential mortgages	17	2	19	34	(25)	9
Non-residential mortgages	13	(2)	11	22	(3)	19
Consumer instalment and other personal loans	25	20	45	13	(18)	(5)
Credit card loans	0	0	0	(50)	(3)	(53)
Loans to businesses and governments (a)	(429)	624	195	373	(594)	(221)
Total loans	(374)	644	270	392	(643)	(251)
Change in U.S. dollar and other currencies interest income	(534)	783	249	365	(817)	(452)
Total All Currencies						
Change in total interest income	228	897	1,125	(141)	(796)	(937)
Liabilities						
Canadian Dollars						
Deposits						
Banks	(9)	6	(3)	(48)	(19)	(67)
Businesses and governments	232	298	530	(113)	(162)	(275)
Individuals	55	197	252	21	6	27
Total deposits	278	501	779	(140)	(175)	(315)
Subordinated debt and other interest bearing liabilities	(23)	(27)	(50)	(380)	8	(372)
Change in Canadian dollar interest expense	255	474	729	(520)	(167)	(687)
U.S. Dollar and Other Currencies						
Deposits						
Banks	(26)	276	250	(158)	(245)	(403)
Businesses and governments	3	33	36	189	(508)	(319)
Individuals	11	22	33	43	67	110
Total deposits	(12)	331	319	74	(686)	(612)
Subordinated debt and other interest bearing liabilities	(322)	478	156	260	(163)	97
Change in U.S. dollar and other currencies interest expense	(334)	809	475	334	(849)	(515)
Total All Currencies						
Change in total interest expense	(79)	1,283	1,204	(186)	(1,016)	(1,202)
Change in total net interest income	307	(386)	(79)	45	220	265

The above table presents changes in net interest income, on a taxable equivalent basis, due to changes in either average daily balances (i.e., volume) or average rates.

Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

(a) Includes securities purchased under resale agreements.

Table 7 Interest Rate Gap Position ($ millions)

As at October 31	0 to 3 months	4 to 6 months	7 to 12 months	Total within 1 year	Effective interest rate (%)	2 to 5 years	Effective interest rate (%)	Over 5 years	Effective interest rate (%)	Non-interest sensitive	Effective interest rate (%)	Total
Canadian Dollars												
Assets												
Cash resources	9,660	(22)	(44)	9,594	5.67	687	0.00	0	0.00	(6,123)	0.00	4,158
Securities	18,997	178	196	19,371	5.85	1,166	8.82	293	7.43	15	na	20,845
Loans	37,583	4,627	7,569	49,779	7.98	26,575	6.90	1,934	6.77	0	na	78,288
Other	(21,940)	236	171	(21,533)	na	1,368	na	0	na	24,122	na	3,957
Total assets	44,300	5,019	7,892	57,211		29,796		2,227		18,014		107,248
Liabilities												
Deposits	38,724	3,898	8,444	51,066	5.29	28,826	5.24	583	6.77	0	na	80,475
Subordinated debt	150	0	300	450	7.35	2,050	6.93	965	8.23	0	na	3,465
Other	(6,330)	33	68	(6,229)	na	(362)	na	350	0.00	17,989	na	11,748
Shareholders' equity	0	250	0	250	na	0	na	1,050	na	10,260	na	11,560
Total Liabilities and Shareholders' Equity	32,544	4,181	8,812	45,537		30,514		2,948		28,249		107,248
On-balance sheet gap position	11,756	838	(920)	11,674		(718)		(721)		(10,235)		0
Off-balance sheet gap position	(9,352)	517	1,485	(7,350)		5,519	0.00	1,831		0		0
Total Interest Rate Gap Position												
2000	2,404	1,355	565	4,324		4,801		1,110		(10,235)		0
1999	(117)	1,103	(5,078)	(4,092)		11,042		2,485		(9,435)		0
1998	2,076	1,437	(7,771)	(4,258)		11,599		1,479		(8,820)		0
1997	(1,033)	516	(2,981)	(3,498)		10,159		988		(7,649)		0
1996	(5,776)	2,561	(183)	(3,398)		15,303		(267)		(11,638)		0
U.S. Dollar and Other Currencies												
Assets												
Cash resources	8,314	4,062	3,336	15,712	5.83	1,516	0.78	239	0.00	(3,115)	0.17	14,352
Securities	7,833	1,415	1,407	10,655	6.15	7,381	6.31	6,149	6.76	1,431	na	25,616
Loans	44,856	2,216	1,226	48,298	7.33	5,480	7.47	1,629	8.14	123	na	55,530
Other	29,125	152	(28)	29,249	na	4,963	na	201	na	(3,763)	na	30,650
Total assets	90,128	7,845	5,941	103,914		19,340		8,218		(5,324)		126,148
Liabilities												
Deposits	51,426	3,207	4,650	59,283	5.86	12,806	3.24	4,132	0.60	0	na	76,221
Subordinated debt	533	0	0	533	6.92	457	6.10	457	7.80	0	na	1,447
Other	51,640	358	308	52,306	2.68	1,168	0.00	381	7.38	(5,756)	na	48,099
Shareholders' equity	0	0	381	381	na	0	na	0	na	0	na	381
Total Liabilities and Shareholders' Equity	103,599	3,565	5,339	112,503		14,431		4,970		(5,756)		126,148
On-balance sheet gap position	(13,471)	4,280	602	(8,589)		4,909		3,248		432		0
Off-balance sheet gap position	2,630	882	236	3,748		(1,075)		(2,673)		0		0
Total Interest Rate Gap Position												
2000	(10,841)	5,162	838	(4,841)		3,834		575		432		0
1999	(7,039)	(7,764)	2,969	(11,834)		11,478		(57)		413		0
1998	(12,524)	731	3,258	(8,535)		7,680		520		335		0
1997	(19,243)	3,155	10,572	(5,516)		4,491		214		811		0
1996	(11,184)	2,821	5,924	(2,439)		1,689		852		(102)		0

na – Not applicable

Gap Position

The determination of the interest rate sensitivity or "gap" position, which is based upon the earlier of the repricing or maturity date of assets, liabilities and derivatives used to manage interest rate risk, by necessity, encompasses numerous assumptions.

The gap position presented is as at October 31 of each respective year. It represents the position outstanding at the close of the business day and may change significantly in subsequent periods based upon customer preferences and the application of the Bank's asset and liability management policies.

The assumptions for 2000 are as follows:

Deposits/Liabilities

Interest bearing non-maturity deposits on which the interest rates have historically moved in reference to a specific interest rate basis, such as prime, and which are above the minimum interest committed are reported as interest sensitive in the 0 to 3 months category. Such deposits may be sensitive to declining rates only to the extent of the minimum interest rate committed. When they no longer demonstrate correlation with market interest rate movements, they are reported in time periods based on expected balance behaviour.

Investment certificates are reported based upon scheduled maturity without reference to early redemption or renewal options.

Term deposits are reported based upon scheduled maturity and estimated redemption based upon historical behaviour.

Fixed rate non-maturity liabilities and non-interest bearing non-maturity liabilities are reported based upon historical account balance behaviour.

Capital

Common Shareholders' Equity is reported as non-interest sensitive.

Assets

Fixed term assets such as residential mortgages and consumer loans are reported based upon the scheduled repayments and estimated prepayments based upon historical behaviour.

Trading assets are reported in the 0 to 3 months category.

Fixed rate non-maturity assets and non-interest bearing non-maturity assets are reported based upon historical balance behaviour.

Yields

Yields are based upon the contractual interest rate in effect for the assets or liabilities on the reporting date.

Prior to 1997, non-maturity assets and liabilities were reported as non-interest sensitive.

Table 8 Non-Interest Expenses and Expense-to-Revenue Ratios ($ millions except as noted)

For the year ended October 31	2000	1999	1998*	1997*	1996*	1995*	1994*	1993*	1992*	1991*
Non-Interest Expense Detail										
Salaries	**2,800**	2,532	2,370	2,284	1,972	1,758	1,567	1,455	1,348	1,277
Employee benefits	**265**	288	204	251	238	241	228	209	201	167
Total salaries and employee benefits	**3,065**	2,820	2,574	2,535	2,210	1,999	1,795	1,664	1,549	1,444
Premises and equipment										
Rental of real estate	**130**	145	147	149	139	136	125	123	114	101
Premises, furniture and fixtures	**272**	275	256	234	215	206	188	177	170	179
Property taxes	**47**	52	51	40	40	41	39	40	37	40
Computers and equipment	**622**	651	518	493	333	296	248	240	234	215
Total premises and equipment	**1,071**	1,123	972	916	727	679	600	580	555	535
Communications	**259**	268	266	246	219	208	180	165	167	174
Other expenses										
Business and capital taxes	**110**	129	134	128	116	110	95	92	82	64
Professional fees	**335**	343	320	250	173	141	112	64	63	55
Travel and business development	**236**	227	234	238	199	161	144	122	112	156
Other	**202**	216	261	226	251	239	195	199	201	141
Total other expenses	**883**	915	949	842	739	651	546	477	458	416
Amortization of intangible assets	**23**	21	24	28	18	15	16	11	20	21
Special charge	**0**	0	0	0	0	0	71	0	0	0
Business process improvement initiative charge	**0**	0	0	0	0	60	0	0	0	0
Total non-interest expense before restructuring charge	**5,301**	5,147	4,785	4,567	3,913	3,612	3,208	2,897	2,749	2,590
Restructuring charge	**(43)**	141	0	0	0	0	0	0	0	0
Total non-interest expense	**5,258**	5,288	4,785	4,567	3,913	3,612	3,208	2,897	2,749	2,590
Non-Interest Expense Summary										
Total non-interest expense	**5,258**	5,288	4,785	4,567	3,913	3,612	3,208	2,897	2,749	2,590
Less: Non-recurring items (a)	**(43)**	141	0	75	23	60	71	0	18	24
Total non-interest expense excluding non-recurring items	**5,301**	5,147	4,785	4,492	3,890	3,552	3,137	2,897	2,731	2,566
Year-over-year growth (%)										
Total	**(0.6)**	10.5	4.8	16.7	8.4	12.6	10.7	5.4	6.1	6.2
Excluding non-recurring items	**3.0**	7.6	6.5	15.5	9.5	13.2	23.2	6.1	6.5	8.0
Government Levies and Taxes (b)										
Government levies other than income taxes										
Payroll levies	**133**	127	128	123	109	106	95	88	83	72
Property taxes	**47**	52	51	40	40	41	39	40	37	40
Provincial capital taxes	**100**	121	120	104	89	84	71	71	59	42
Business taxes	**10**	8	14	24	27	26	24	21	23	22
Goods and services tax and sales tax	**125**	118	125	114	101	88	70	64	61	49
Total government levies other than income taxes	**415**	426	438	405	366	345	299	284	263	225
Provision for income taxes reported in:										
Statement of income										
– Provision	**989**	736	810	845	758	662	560	487	416	384
– Amortization of goodwill	**(5)**	(6)	(6)	(5)	(1)	0	0	0	0	0
Statement of retained earnings	**(153)**	158	(237)	(92)	10	9	(23)	(46)	(70)	37
Total income taxes	**831**	888	567	748	767	671	537	441	346	421
Total government levies and taxes	**1,246**	1,314	1,005	1,153	1,133	1,016	836	725	609	646
Total government levies and taxes as a % of net income before taxes and government levies	**38.3**	51.8	38.8	45.2	49.4	51.0	49.6	49.0	46.2	53.6
Effective tax rate (TEB)	**36.9**	37.6	39.8	41.0	41.5	41.9	42.4	43.0	42.2	42.3
Productivity Analysis										
Expense-to-revenue ratio (%)	**60.7**	66.7	65.8	63.7	62.8	63.7	61.7	59.6	61.9	64.8
Non-recurring revenue	**226**	(28)	0	0	0	0	0	0	6	(8)
Adjusted expense-to-revenue ratio (%) (c)	**62.8**	64.7	65.8	62.7	62.5	62.7	60.4	59.6	61.6	64.1

*Restated to give effect to presentation changes.

(a) The charge/non-recurring item in 2000 is a reversal of 1999 restructuring charge, in 1999 is a one-time restructuring charge, in 1997 is a charge for accelerated depreciation related to technology changes and credit process efficiency improvements, in 1996 is the Harris Savings Association Insurance Fund (SAIF) charge included in other expenses, in 1995 is the business process improvement initiative charge and in 1994 is the Harris special charge.

(b) Government levies are included in various non-interest expense categories.

(c) The adjusted expense-to-revenue ratio excludes non-recurring expenses and non-recurring revenues from total revenue as detailed in Table 19 on page 82.

Table 9 Net Loans and Acceptances – Segmented Information ($ millions)

	Canada (a)					United States (a)					Other countries (a)				
As at October 31	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996
Individuals															
Residential mortgages (b)	**32,342**	31,858	29,823	30,995	26,539	**4,211**	3,512	3,502	2,594	1,926	**0**	0	0	0	0
Cards	**1,382**	1,144	783	877	2,528	**25**	16	14	1,035	1,314	**0**	0	0	0	0
Personal loans	**14,395**	13,900	12,988	12,007	10,739	**3,638**	3,004	3,098	2,664	2,058	**0**	0	0	0	0
Total loans to individuals	**48,119**	46,902	43,594	43,879	39,806	**7,874**	6,532	6,614	6,293	5,298	**0**	0	0	0	0
Commercial, corporate and institutional															
Diversified commercial	**35,886**	25,083	27,097	26,152	23,326	**31,818**	38,507	28,683	23,497	19,075	**3,300**	3,434	4,127	3,098	1,938
Securities purchased under resale agreements	**6,693**	8,523	6,350	7,679	6,960	**9,615**	11,202	13,715	10,721	7,121	**0**	5,365	7,455	117	0
Total commercial, corporate and institutional	**42,579**	33,606	33,447	33,831	30,286	**41,433**	49,709	42,398	34,218	26,196	**3,300**	8,799	11,582	3,215	1,938
General allowance	**(930)**	(820)	(735)	(625)	(425)	**(150)**	(150)	(150)	(150)	(50)	**0**	0	0	0	0
Designated lesser-developed countries	**0**	0	0	0	0	**0**	0	0	0	0	**222**	205	288	263	211
Total net loans and acceptances	**89,768**	79,688	76,306	77,085	69,667	**49,157**	56,091	48,862	40,361	31,444	**3,522**	9,004	11,870	3,478	2,149

Table 10 Allowance for Credit Losses – Segmented Information ($ millions except as noted)

	Canada (a)					United States (a)					Other countries (a)				
As at October 31	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996
Allowance for credit losses (ACL), beginning of year	**963**	868	895	737	590	**335**	268	246	290	298	**129**	136	98	116	367
Provision for credit losses	**271**	210	77	330	156	**120**	98	38	(55)	69	**(33)**	12	15	0	0
Transfer of allowance	**68**	0	(17)	0	150	**(59)**	0	0	0	0	**(9)**	0	17	0	(150)
Recoveries	**30**	22	29	43	15	**14**	25	35	115	88	**0**	0	0	0	0
Write-offs (e)	**(164)**	(131)	(116)	(216)	(174)	**(42)**	(47)	(76)	(118)	(170)	**(45)**	(15)	(3)	(23)	(105)
Other, including foreign exchange	**2**	(6)	0	1	0	**14**	(9)	25	14	5	**3**	(4)	9	5	4
ACL, end of year	**1,170**	963	868	895	737	**382**	335	268	246	290	**45**	129	136	98	116
Allocation of Write-offs by Market															
Individuals	**(129)**	(92)	(60)	(106)	(90)	**(10)**	(12)	(33)	(96)	(60)	**0**	0	0	0	0
Commercial, corporate and institutional	**(35)**	(39)	(56)	(110)	(84)	**(32)**	(35)	(43)	(22)	(110)	**0**	0	0	0	0
Designated lesser-developed countries (LDC)	**0**	0	0	0	0	**0**	0	0	0	0	**(45)**	(15)	(3)	(23)	(105)
Allocation of Recoveries by Market															
Individuals	**18**	17	16	11	15	**5**	5	7	10	11	**0**	0	0	0	0
Commercial, corporate and institutional	**12**	5	13	32	0	**9**	20	28	105	77	**0**	0	0	0	0
Designated LDC	**0**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0
Net write-offs as a % of average loans and acceptances															

(a) Geographic location is based on the ultimate risk of the underlying asset. Provincial location is based on the booking location and/or customer residency.
(b) Excludes residential mortgages classified as commercial corporate loans (2000 – $2.9 billion, 1999 – $2.8 billion, 1998 – $2.5 billion, 1997 – $2.0 billion, 1996 – $1.6 billion, 1995 – $1.5 billion).
(c) No provision for securities purchased under resale agreements.
(d) Excludes the general allowance.
(e) Write-offs on designated lesser-developed countries include losses on sales of performing assets that were charged directly against the allowance (2000 – $45 million, 1999 – $0, 1998 – $0, 1997 – $3 million, 1996 – $109 million, 1995 – $115 million).

Total				
2000	1999	1998	1997	1996
36,553	35,370	33,325	33,589	28,465
1,407	1,160	797	1,912	3,842
18,033	16,904	16,086	14,671	12,797
55,993	53,434	50,208	50,172	45,104
71,004	67,024	59,907	52,747	44,339
16,308	25,090	27,520	18,517	14,081
87,312	92,114	87,427	71,264	58,420
(1,080)	(970)	(885)	(775)	(475)
222	205	288	263	211
142,447	144,783	137,038	120,924	103,260

As at October 31	2000	1999	1998	1997	1996
Net Loans and Acceptances in Canada by Province (a)					
Atlantic provinces	**4,460**	4,137	4,250	3,815	3,466
Quebec	**14,602**	12,304	11,714	10,179	10,237
Ontario	**43,794**	37,317	34,421	38,456	35,240
Prairie provinces	**14,722**	13,941	13,741	13,133	10,174
British Columbia and Territories	**13,120**	12,809	12,915	12,127	10,975
Total loans and acceptances in Canada (d)	**90,698**	80,508	77,041	77,710	70,092
Diversified Commercial by Industry					
Financial institutions	**13,847**	13,598	9,468	8,854	8,620
Commercial mortgages	**6,612**	6,254	5,626	4,552	3,542
Construction (non-real estate)	**1,556**	1,782	1,056	1,011	949
Commercial real estate	**3,895**	3,632	3,601	3,034	2,737
Manufacturing	**14,635**	12,785	12,460	9,267	7,163
Mining/Energy	**3,847**	4,011	4,086	4,058	3,003
Service industries	**7,107**	6,944	6,600	6,407	5,667
Retail trade	**3,173**	3,217	2,556	2,752	2,319
Wholesale trade	**3,434**	3,984	3,912	3,408	2,739
Agriculture	**2,608**	2,772	2,471	2,036	1,719
Transportation/Utilities	**4,532**	3,880	3,686	3,227	2,338
Communications	**3,262**	1,994	2,200	2,332	2,368
Other	**2,496**	2,171	2,185	1,809	1,175
Total diversified commercial	**71,004**	67,024	59,907	52,747	44,339

Total				
2000	1999	1998	1997	1996
1,427	1,272	1,239	1,143	1,255
358	320	130	275	225
0	0	0	0	0
44	47	64	158	103
(251)	(193)	(195)	(357)	(449)
19	(19)	34	20	9
1,597	1,427	1,272	1,239	1,143
(139)	(104)	(93)	(202)	(150)
(67)	(74)	(99)	(132)	(194)
(45)	(15)	(3)	(23)	(105)
23	22	23	21	26
21	25	41	137	77
0	0	0	0	0
0.1	0.1	0.1	0.2	0.3

Provision for Credit Losses – Segmented Information

For the year ended October 31	2000	1999	1998	1997	1996
Individuals					
Residential mortgages	**5**	7	7	7	6
Cards	**35**	26	26	138	96
Personal loans	**73**	48	30	32	23
Total individuals	**113**	81	63	177	125
Diversified commercial					
Financial institutions	**(6)**	7	12	(26)	62
Commercial mortgages	**(1)**	0	0	1	5
Construction (non-real estate)	**(2)**	3	3	0	3
Commercial real estate	**1**	(6)	(66)	(146)	(61)
Manufacturing	**93**	27	7	8	20
Mining/Energy	**(3)**	30	(3)	(24)	(18)
Service industries	**14**	46	(19)	19	43
Retail trade	**20**	6	(5)	0	9
Wholesale trade	**3**	10	1	7	8
Agriculture	**(10)**	2	(5)	7	3
Transportation/Utilities	**67**	8	20	(11)	16
Communications	**0**	5	13	36	0
Other	**1**	16	(1)	27	10
Total commercial, corporate and institutional (c)	**177**	154	(43)	(102)	100
Net charge to earnings for general provision	**110**	85	110	200	0
Designated lesser-developed countries	**(42)**	0	0	0	0
Total provision for credit losses	**358**	320	130	275	225

Table 11 Allocation of Allowance for Credit Losses – Segmented Information ($ millions except as noted)

	Canada (a)					United States (a)					Other countries (a)				
As at October 31	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996
Individuals															
Residential mortgages	**6**	4	4	9	9	**0**	0	0	0	0	**0**	0	0	0	0
Consumer instalments and other personal loans	**3**	5	4	5	9	**2**	3	5	6	6	**0**	0	0	0	0
Total individuals	**9**	9	8	14	18	**2**	3	5	6	6	**0**	0	0	0	0
Diversified commercial (b)	**231**	134	125	255	292	**230**	182	113	90	234	**45**	44	24	0	0
General allowance	**930**	820	735	625	425	**150**	150	150	150	50	**0**	0	0	0	0
Designated lesser-developed countries (LDC)															
Specific allowance	**0**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	1
Country risk allowance	**0**	0	0	0	0	**0**	0	0	0	0	**0**	85	104	98	115
Off-balance sheet	**0**	0	0	1	2	**0**	0	0	0	0	**0**	0	8	0	0
Allowance for credit losses (ACL)	**1,170**	963	868	895	737	**382**	335	268	246	290	**45**	129	136	98	116
Coverage Ratios															
ACL as a % of gross impaired loans and acceptances (GIL)	**153.7**	145.0	170.9	169.3	91.9	**57.5**	104.7	118.6	96.9	49.2	**59.2**	131.6	142.2	100.0	100.0
ACL as a % of GIL (c)															
Individuals	**4.6**	4.8	5.4	10.8	10.8	**100.0**	100.0	100.0	100.0	100.0	**0.0**	0.0	0.0	0.0	0.0
Diversified commercial (b)	**40.8**	28.0	34.6	64.1	46.1	**34.8**	57.4	51.1	36.3	40.1	**59.2**	47.8	28.6	0.0	0.0
Designated LDC (d)	**na**	na	na	na	na	**na**	na	na	na	na	**na**	100.0	100.0	100.0	100.0

Table 12 Net Impaired Loans and Acceptances – Segmented Information ($ millions except as noted)

	Canada (a)					United States (a)					Other countries (a)				
As at October 31	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996	**2000**	1999	1998	1997	1996
Individuals															
Residential mortgages	**138**	129	105	94	122	**0**	0	0	0	0	**0**	0	0	0	0
Consumer instalments and other personal loans	**48**	48	34	22	27	**0**	0	0	0	0	**0**	0	0	0	0
Total individuals	**186**	177	139	116	149	**0**	0	0	0	0	**0**	0	0	0	0
Diversified commercial (b)	**335**	344	236	143	341	**432**	135	108	158	349	**31**	58	60	0	0
General allowance	**(930)**	(820)	(735)	(625)	(425)	**(150)**	(150)	(150)	(150)	(50)	**0**	0	0	0	0
Designated lesser-developed countries (LDC)	**0**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0
Total net impaired loans and acceptances (NIL)	**(409)**	(299)	(360)	(366)	65	**282**	(15)	(42)	8	299	**31**	58	60	0	0
Condition Ratios															
Gross impaired loans and acceptances (GIL) as a % of equity and allowance for credit losses	**NA**	NA	NA	NA	NA	**NA**	NA	NA	NA	NA	**NA**	NA	NA	NA	NA
NIL as a % of net loans and acceptances	**(0.46)**	(0.38)	(0.47)	(0.47)	0.09	**0.57**	(0.03)	(0.09)	0.02	0.95	**0.88**	0.64	0.51	0.00	0.00
NIL as a % of net loans and acceptances (e)															
Individuals	**0.39**	0.38	0.32	0.26	0.37	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00
Diversified commercial	**0.93**	1.37	0.87	0.55	1.46	**1.36**	0.35	0.38	0.67	1.82	**0.94**	1.69	1.45	0.00	0.00
Designated LDC	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00

(a) Geographic location is based on the ultimate risk of the underlying asset.
(b) No allowance or impaired exposure for securities purchased under resale agreements.
(c) Segment ACL as a percentage of segment GIL.
(d) Excludes LDC reservations in excess of impaired loans (2000 – $0, 1999 – $79 million, 1998 – $98 million, 1997 – $93 million, 1996 – $108 million, 1995 – $360 million).
(e) Segmented NIL as a percentage of segment net loans and acceptances.
(f) Includes allowance of U.S. subsidiary in excess of impaired loans.

na – Not applicable
NA – Not available

Total				
2000	1999	1998	1997	1996
6	4	4	9	9
5	8	9	11	15
11	12	13	20	24
506	360	262	345	526
1,080	970	885	775	475
0	0	0	0	1
0	85	104	98	115
0	0	8	1	2
1,597	1,427	1,272	1,239	1,143
106.4	130.6	153.3	157.2	81.7
5.6	6.3	8.6	14.7	13.9
38.8	40.1	39.3	53.4	43.2
na	100.0	100.0	100.0	100.0

As at October 31	2000	1999	1998	1997	1996
Diversified Commercial Specific Allowance by Industry					
Financial institutions	**40**	35	27	28	62
Commercial mortgages	**4**	4	5	6	11
Construction (non-real estate)	**5**	4	4	23	6
Commercial real estate	**31**	28	35	71	148
Manufacturing	**128**	37	62	44	34
Mining/Energy	**55**	44	4	8	22
Service industries	**71**	56	31	56	57
Retail trade	**28**	7	8	19	33
Wholesale trade	**11**	8	13	12	10
Agriculture	**6**	6	4	12	5
Transportation/Utilities	**94**	26	20	8	18
Communications	**14**	13	8	15	0
Other	**19**	92	41	43	120
Total diversified commercial specific allowance (b)	**506**	360	262	345	526

Total				
2000	1999	1998	1997	1996
138	129	105	94	122
48	48	34	22	27
186	177	139	116	149
798	537	404	301	690
(1,080)	(970)	(885)	(775)	(475)
0	0	0	0	0
(96)	(256)	(342)	(358)	364
10.51	8.53	6.66	7.65	15.71
(0.07)	(0.18)	(0.25)	(0.30)	0.35
0.33	0.33	0.28	0.23	0.33
1.12	0.80	0.67	0.57	1.56
0.00	0.00	0.00	0.00	0.00

As at October 31	2000	1999	1998	1997	1996
Diversified Commercial Net Impaired Loans by Industry					
Financial institutions	**108**	23	8	1	59
Commercial mortgages	**19**	19	15	24	39
Construction (non-real estate)	**6**	3	4	6	3
Commercial real estate	**27**	54	122	148	463
Manufacturing	**143**	48	41	19	21
Mining/Energy	**97**	188	36	30	37
Service industries	**109**	127	47	44	40
Retail trade	**89**	21	17	9	30
Wholesale trade	**11**	7	9	9	38
Agriculture	**17**	18	15	12	18
Transportation/Utilities	**138**	64	71	11	35
Communications	**13**	25	23	5	1
Other (d) (f)	**21**	(60)	(4)	(17)	(94)
Total diversified commercial (b)	**798**	537	404	301	690

Table 13 Impaired Loans and Acceptances by Accounting Classification ($ millions)

As at or for the year ended October 31	2000	1999	1998	1997	1996
Gross impaired loans and acceptances, beginning of year	**1,092**	824	787	1,397	1,730
Additions to impaired loans and acceptances	**1,106**	1,084	621	660	959
Reductions in impaired loans and acceptances (a)	**(446)**	(623)	(389)	(936)	(948)
Net new additions (reductions)	**660**	461	232	(276)	11
Write-offs	**(251)**	(193)	(195)	(334)	(344)
Gross impaired loans and acceptances, end of year	**1,501**	1,092	824	787	1,397
Allowance for credit losses (ACL) (b), beginning of year	**1,348**	1,166	1,145	1,033	895
Increases – specific allowance	**390**	290	106	169	437
Increases – general allowance	**110**	85	110	200	0
Transfer of allowance	**0**	0	0	100	150
Write-offs (c)	**(251)**	(193)	(195)	(357)	(449)
Allowance for credit losses (b), end of year	**1,597**	1,348	1,166	1,145	1,033
Net impaired loans and acceptances (NIL), beginning of year	**(256)**	(342)	(358)	364	835
Change in gross impaired loans and acceptances	**409**	268	37	(610)	(333)
Change in allowance for credit losses	**(249)**	(182)	(21)	(112)	(138)
Net impaired loans and acceptances, end of year	**(96)**	(256)	(342)	(358)	364

Table 14 Balance Sheet Summary ($ millions)

As at October 31	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Assets										
Cash resources	**18,508**	24,036	19,730	32,245	24,187	20,317	14,659	12,081	11,288	13,607
Securities	**46,463**	43,273	43,465	41,789	36,609	33,019	26,535	23,328	22,581	17,862
Loans (net)	**133,817**	138,001	129,691	114,918	98,413	88,442	88,634	74,028	68,251	60,172
Acceptances	**8,630**	6,753	6,944	5,594	4,397	4,469	3,430	3,555	2,878	3,712
Other assets	**25,978**	18,552	22,760	13,292	6,226	5,587	4,917	3,877	4,037	3,372
Total assets	**233,396**	230,615	222,590	207,838	169,832	151,834	138,175	116,869	109,035	98,725
Liabilities and Shareholders' Equity										
Deposits	**156,697**	156,874	143,983	144,212	119,262	109,605	98,241	87,859	86,601	77,769
Other liabilities	**59,847**	58,048	63,208	50,892	39,670	32,602	31,178	20,961	15,604	14,836
Subordinated debt	**4,911**	4,712	4,791	3,831	3,314	2,595	2,218	2,363	1,666	1,570
Share capital										
Preferred	**1,681**	1,668	1,958	1,274	857	858	860	852	832	718
Common	**3,173**	3,190	3,095	3,019	2,989	3,002	3,002	2,632	2,539	2,416
Retained earnings	**7,087**	6,123	5,555	4,610	3,740	3,172	2,676	2,202	1,793	1,416
Total liabilities and shareholders' equity	**233,396**	230,615	222,590	207,838	169,832	151,834	138,175	116,869	109,035	98,725
Average Balances										
Loans	**135,339**	135,596	130,686	113,136	94,598	87,028	77,292	73,918	66,469	58,227
Assets	**234,944**	226,714	227,450	196,721	158,316	144,115	122,234	113,387	104,591	94,118

Table 15 Unrealized Gains (Losses) on Securities (e) (g) ($ millions)

As at October 31	2000	1999	1998	1997	1996
Investment securities					
Government debt and other securities					
Canadian governments	**13**	21	NA	NA	NA
U.S. governments	**(84)**	(92)	NA	NA	NA
Mortgage-backed securities	**(139)**	(175)	NA	NA	NA
Corporate debt and equity	**(16)**	(94)	NA	NA	NA
Other governments	**0**	10	NA	NA	NA
Total government debt and other securities	**(226)**	(330)	315	293	148
Grupo Financiero Bancomer	**277**	(226)	(190)	118	132
Designated lesser-developed countries (LDC) (d)	**0**	18	65	102	195
Equity investment in 724 Solutions Inc. (f)	**134**	0	0	0	0
	185	(538)	190	513	475

(a) Loans and acceptances returning to performing status, sales and repayments.
(b) Excludes ACL for off-balance sheet exposure. Also excludes LDC reservations in excess of impaired loans (2000 – $0, 1999 – $79 million, 1998 – $98 million, 1997 – $93 million, 1996 – $108 million, 1995 – $360 million).
(c) Write-offs on designated LDC include losses on sales of performing assets that were charged directly against the allowance (2000 – $45 million, 1999 – $0, 1998 – $0, 1997 – $3 million, 1996 – $109 million, 1995 – $115 million).
(d) Includes unrealized gain on LDC loans.
(e) Unrealized gains and losses may be offset by structural positions and hedge contracts.
(f) The investment in 724 Solutions Inc. is a means of establishing a strategic alliance to augment a client service provider relationship. The benefits to the Bank of this alliance include access to necessary channel technology for delivery of financial services in an e-commerce environment.
(g) Excludes unrealized losses in translation of net investment in foreign operations.

NA – Not available

Table 16 Risk-Weighted Assets ($ millions except as noted)

As at October 31				2000	1999
	Balance	Credit risk equivalent	Risk weighting %	Risk-weighted balance	Risk-weighted balance
Balance sheet items					
Cash resources	**18,508**		**0-20**	**3,511**	4,609
Securities	**46,463**		**0-100**	**8,596**	9,918
Mortgages	**43,164**		**0-100**	**12,570**	12,791
Other loans and acceptances	**99,283**		**0-100**	**71,247**	67,160
Other assets	**25,978**		**0-100**	**8,842**	6,490
Total balance sheet items	**233,396**			**104,766**	100,968
Off-balance sheet items					
Guarantees and standby letters of credit	**11,810**	**8,320**	**0-100**	**8,320**	8,515
Securities lending	**1,616**	**156**	**0-100**	**156**	977
Documentary and commercial letters of credit	**698**	**113**	**0-100**	**113**	115
Commitments to extend credit:					
Original maturity of one year and under	**76,353**	**0**	**0**	**0**	0
Original maturity of over one year	**29,766**	**11,533**	**0-100**	**11,533**	15,677
Derivative financial instruments	**1,402,541**	**14,500**	**0-50**	**4,817**	3,990
Note issuance and revolving underwriting facilities			**0-50**		0
Total off-balance sheet items	**1,522,784**			**24,939**	29,274
Total risk-weighted assets – credit risk				**129,705**	130,242
Total risk-weighted assets – market risk				**4,655**	6,722
Total risk-weighted assets				**134,360**	136,964
Total risk-weighted assets – U.S. basis				**139,865**	142,955

Table 17 Liquid Assets ($ millions except as noted)

As at October 31	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Canadian Dollar Liquid Assets										
Deposits with other banks	**1,814**	843	1,080	3,110	2,839	3,002	2,790	1,762	1,394	1,762
Other cash resources	**782**	817	745	702	631	17	651	734	967	1,494
Securities	**20,846**	15,942	17,216	22,442	22,651	21,245	16,915	16,436	15,251	11,725
Total Canadian dollar liquid assets	**23,442**	17,602	19,041	26,254	26,121	24,264	20,356	18,932	17,612	14,981
U.S. Dollar and Other Currencies Liquid Assets										
Deposits with other banks	**15,125**	21,279	16,334	26,946	18,606	16,418	11,029	8,476	8,120	9,327
Other cash resources	**787**	1,097	1,571	1,487	2,111	880	189	1,109	807	1,024
Securities	**25,617**	27,331	26,249	19,347	13,958	11,774	9,620	6,892	7,330	6,137
Total U.S. dollar and other currencies liquid assets	**41,529**	49,707	44,154	47,780	34,675	29,072	20,838	16,477	16,257	16,488
Total liquid assets	**64,971**	67,309	63,195	74,034	60,796	53,336	41,194	35,409	33,869	31,469
Total liquid assets-to-total assets (%)	**27.8**	29.2	28.4	35.6	35.8	35.1	29.8	30.3	31.1	31.9
Pledged assets included in total liquid assets	**33,447**	39,872	41,437	36,594	31,959	24,473	24,733	NA	NA	NA

Table 18 Statement of Income Excluding Non-Recurring Items ($ millions)

For the year ended October 31	2000	1999	1998	1997	1996
Net interest income (TEB) (a)	**4,338**	4,417	4,152	4,186	3,711
Other income	**4,100**	3,539	3,118	2,981	2,516
Total revenue	**8,438**	7,956	7,270	7,167	6,227
Provision for credit losses	**400**	320	130	275	225
Non-interest expense	**5,301**	5,147	4,785	4,492	3,890
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill	**2,737**	2,489	2,355	2,400	2,112
Income taxes (TEB)	**997**	948	938	986	875
Non-controlling interest	**19**	21	25	25	20
Amortization of goodwill, net of applicable income tax	**49**	43	42	41	35
Net income	**1,672**	1,477	1,350	1,348	1,182
Year-over-year growth (%)	**13.1**	9.5	0.2	14.1	15.8

Reflects results of operations excluding non-recurring items as shown in Table 19 on page 82.

(a) Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

NA – Not available

Table 19 Non-Recurring Items ($ millions)

For the year ended October 31	2000	1999	1998	1997	1996
Other Income					
Gain on sale of Global Custody	**0**	27	0	0	0
Write-down of the distressed securities portfolio	**0**	(55)	0	0	0
Gain on sale of Partners First, a U.S. credit card issuing business	**112**	0	0	0	0
Gain on sale of U.S. Corporate Trust	**74**	0	0	0	0
Gain on sale of branches	**40**	0	0	0	0
	226	(28)	0	0	0
Provision for Credit Losses					
Reversal of loss provision on the sale of LDC securities	**(42)**	0	0	0	0
	(42)	0	0	0	0
Non-interest Expense					
Charge resulting from legislation to assess premiums on deposits insured by the Savings Association Insurance Fund	**0**	0	0	0	23
Charge representing accelerated depreciation related to technology changes and costs associated with improving efficiency of our credit process	**0**	0	0	75	0
Restructuring charges	**0**	141	0	0	0
Reversal of 1999 restructuring charge	**(43)**	0	0	0	0
	(43)	141	0	75	23
Net impact of non-recurring items	**311**	(169)	0	(75)	(23)
Income taxes	**126**	(74)	0	(32)	(9)
Total non-recurring items	**185**	(95)	0	(43)	(14)

For years 1996 through 2000, the Bank's results of operations included a number of non-recurring items. Non-recurring items are generally infrequent, material and quantifiable. These items are unusual in that they are not considered to be part of the ongoing operations of the Bank and are not expected to recur in the near future.

Table 20 Average Deposits ($ millions except as noted)

	2000		1999		1998	
	Average balance	**Average rate paid (%)**	Average balance	Average rate paid (%)	Average balance	Average rate paid (%)
Deposits Booked in Canada						
Demand deposits – interest bearing	**5,909**	**3.76**	3,987	3.84	3,753	3.98
Demand deposits – non-interest bearing	**6,621**	**0.00**	5,837	0.00	5,342	0.00
Payable after notice	**27,391**	**2.86**	23,725	1.88	22,855	1.82
Payable on a fixed date	**51,217**	**5.09**	48,137	4.76	53,843	4.97
Total Deposits Booked in Canada	**91,138**		81,686	3.54	85,793	3.78
Deposits Booked in the U.S. and Other Countries						
U.S. demand deposits	**12,310**	**4.08**	12,560	3.37	13,354	3.70
Other U.S. deposits payable after notice or on a fixed date	**32,496**	**6.43**	32,381	6.14	27,211	7.67
Deposits booked in other countries	**23,500**	**5.09**	24,034	4.27	26,776	5.35
Total Average Deposits	**159,444**	**4.66**	150,661	4.20	153,134	4.74

As at October 31, 2000, 1999 and 1998, deposits by foreign depositors in our Canadian bank offices amounted to $9,148 million, $9,934 million and $11,241 million respectively. As at October 31, 2000, 1999 and 1998, total deposits payable after notice included $18,597 million, $14,262 million and $12,840 million respectively of chequing accounts which would have been classified as demand deposits under U.S. reporting requirements. As at October 31, 2000, 1999 and 1998, total deposits payable on a fixed date included $27,041 million, $26,632 million and $33,738 million respectively of federal funds purchased and commercial paper issued. These amounts would have been classified as short-term borrowings for U.S. reporting purposes.

Table 21 Quarterly Financial Data ($ millions)

As at or for the three months ended	Oct. 31 2000	July 31 2000	April 30 2000	Jan. 31 2000	Oct. 31* 1999	July 31* 1999	April 30* 1999	Jan. 31* 1999
Statement of Income								
Total interest income	**3,700**	**3,632**	**3,590**	**3,381**	3,270	3,232	3,192	3,480
Total interest expense	**2,652**	**2,575**	**2,541**	**2,331**	2,179	2,174	2,115	2,427
Net interest income	**1,048**	**1,057**	**1,049**	**1,050**	1,091	1,058	1,077	1,053
Provision for credit losses (PCL)	**58**	**100**	**100**	**100**	80	80	80	80
Net interest income after PCL	**990**	**957**	**949**	**950**	1,011	978	997	973
Other income	**1,079**	**1,005**	**1,200**	**1,042**	884	933	849	845
Non-interest expense	**1,330**	**1,326**	**1,348**	**1,254**	1,501	1,284	1,271	1,232
Income before provision for income taxes	**739**	**636**	**801**	**738**	394	627	575	586
Provision for income taxes	**235**	**219**	**287**	**248**	120	213	196	207
Income before non-controlling interest in subsidiary, and goodwill	**504**	**417**	**514**	**490**	274	414	379	379
Non-controlling interest in subsidiary	**6**	**4**	**5**	**4**	4	5	5	7
Income before goodwill	**498**	**413**	**509**	**486**	270	409	374	372
Amortization of goodwill, net of applicable taxes	**13**	**12**	**12**	**12**	12	11	10	10
Net income (a)	**485**	**401**	**497**	**474**	258	398	364	362
Taxable equivalent adjustment (b)	**35**	**33**	**35**	**31**	33	34	35	36
Total revenue (TEB)	**2,162**	**2,095**	**2,284**	**2,123**	2,008	2,025	1,961	1,934

*Restated to give effect to presentation changes.

(a) Refer to note (m) on page 83.
(b) Refer to the glossary on page 88 for a definition of the taxable equivalent basis (TEB) adjustment.

Table 22 Capital Adequacy ($ millions except as noted)

As at October 31	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991
Canadian Basis										
Tier 1 – Common shareholders' equity	**10,260**	9,313	8,650	7,629	6,729	6,174	5,678	4,834	4,332	3,832
Non-cumulative preferred shares	**1,681**	1,668	1,958	1,274	857	858	860	852	832	450
Innovative Tier 1 capital	**350**	0	0	0	0	0	0	0	0	0
Non-controlling interest in subsidiaries	**20**	27	40	80	101	121	144	66	72	42
Goodwill	**(447)**	(430)	(494)	(521)	(557)	(411)	(450)	(159)	(176)	(105)
Tier 1 Capital	**11,864**	10,578	10,154	8,462	7,130	6,742	6,232	5,593	5,060	4,219
Tier 2 – Cumulative preferred shares	**0**	0	0	0	0	0	0	0	0	268
Subordinated debt	**4,550**	4,522	4,670	3,582	3,179	2,268	1,999	2,248	1,650	1,493
General allowance for credit losses (a)	**1,007**	970	873	775	0	0	0	0	0	0
Tier 2 Capital	**5,557**	5,492	5,543	4,357	3,179	2,268	1,999	2,248	1,650	1,761
Less: First loss protection	**511**	315	323	113	na	na	na	na	na	na
Investment in non-consolidated subsidiaries/substantial investments	**821**	1,010	858	697	625	0	0	0	28	28
Total capital	**16,089**	14,745	14,516	12,009	9,684	9,010	8,231	7,841	6,682	5,952
Risk-weighted assets	**134,360**	136,964	139,782	124,348	106,267	96,075	86,589	76,074	74,964	67,490
Risk-weighted capital ratios (%)										
Tier 1	**8.83**	7.72	7.26	6.80	6.71	7.02	7.20	7.35	6.75	6.25
Total*	**11.97**	10.77	10.38	9.66	9.11	9.38	9.51	10.31	8.91	8.82
U.S. basis Tier 1	**8.47**	7.42	6.95	6.35	6.26	6.82	6.91	7.13	na	na
U.S. basis total*	**12.50**	11.34	10.86	9.92	9.81	9.97	10.07	11.14	na	na
Assets-to-capital multiple	**14.8**	16.3	16.0	18.0	19.0	17.6	17.7	15.6	na	na
Equity to assets (%)	**5.4**	4.9	5.0	4.4	4.6	4.7	4.8	4.9	4.8	4.7

*The October 31, 1996 Total Capital Ratio and Tier 2 Capital reflect the inclusion of the $300 million in subordinated debentures issued November 1, 1996. Excluding this issue, the Total Capital Ratio would be 8.83%, and 9.53% on a U.S. basis.

(a) General allowance included with the approval of OSFI beginning in 1997. OSFI approved the inclusion of the lesser of the balance of our general allowance for credit losses or 0.75% of the risk-weighted assets outstanding (1998 and 1997 – 0.625%).

na – Not applicable

Table 23 Quarterly Financial Measures

As at or for the three months ended	**Oct. 31 2000**	**July 31 2000**	**April 30 2000**	**Jan. 31 2000**	Oct. 31 1999	July 31 1999	April 30 1999	Jan. 31 1999
Information per Common Share ($)								
Dividends declared	**0.50**	**0.50**	**0.50**	**0.50**	0.47	0.47	0.47	0.47
Net income before goodwill								
Basic	**1.80**	**1.46**	**1.81**	**1.72**	0.91	1.42	1.30	1.29
Fully diluted	**1.79**	**1.45**	**1.79**	**1.71**	0.90	1.41	1.29	1.28
Net income								
Basic (m)	**1.76**	**1.41**	**1.76**	**1.68**	0.87	1.38	1.26	1.25
Fully diluted (m)	**1.75**	**1.40**	**1.75**	**1.66**	0.86	1.37	1.25	1.24
Cash EPS	**1.83**	**1.49**	**1.83**	**1.74**	0.93	1.44	1.32	1.32
Book value	**39.27**	**37.74**	**37.45**	**35.77**	34.87	34.91	33.53	33.09
Market price								
High	**71.600**	**65.700**	**56.800**	**58.000**	56.700	61.300	69.000	69.600
Low	**59.800**	**53.250**	**43.150**	**42.000**	49.350	52.550	60.300	55.800
Close	**70.500**	**63.750**	**53.750**	**48.150**	56.650	54.900	60.800	66.750
Primary Financial Measures (%)								
Five-year total shareholder return (a)	**22.9**	**21.5**	**18.2**	**17.5**	22.0	22.6	23.4	21.6
Fully diluted earnings per share growth (b)	**103.5**	**2.2**	**40.0**	**33.9**	13.2	4.6	(5.3)	(2.4)
Basic cash-based earnings per share growth (c)	**96.8**	**3.5**	**38.6**	**31.8**	13.4	2.9	(5.7)	(2.9)
Return on common shareholders' equity (d)	**18.4**	**15.0**	**19.8**	**19.0**	9.8	16.2	15.5	15.1
Cash-based return on common shareholders' equity (e)	**19.3**	**15.7**	**20.6**	**19.8**	10.5	16.9	16.3	15.9
Net economic profit growth (f)	**2,928.0**	**(15.7)**	**70.1**	**54.9**	(131.2)	(3.0)	(19.8)	(13.8)
Revenue growth	**7.7**	**3.4**	**16.5**	**9.8**	24.2	5.8	2.7	5.6
Expense-to-revenue ratio (g)	**61.5**	**63.2**	**59.1**	**59.0**	74.8	63.4	64.8	63.7
Provision for credit losses as a % of average loans and acceptances (h)	**0.25**	**0.28**	**0.28**	**0.28**	0.23	0.22	0.23	0.22
Gross impaired loans and acceptances as a % of equity and allowance for credit losses (i)	**10.51**	**9.83**	**8.71**	**8.89**	8.53	8.56	8.36	7.28
Cash and securities-to-total assets (j)	**27.8**	**29.1**	**30.1**	**29.9**	29.2	28.6	28.3	28.6
Tier 1 ratio (k)	**8.83**	**8.49**	**8.06**	**7.84**	7.72	7.87	7.73	7.41
Credit rating (l)	**AA-**	**AA-**	**AA-**	**AA-**	AA-	AA-	AA-	AA-

(a) Five-year compounded return for one bank common share invested at the beginning of the period, including dividend reinvestment.
(b) Percentage change in fully diluted earnings per share for the quarter over the corresponding quarter of the previous year.
(c) Percentage change in cash-based earnings per share for the quarter over the corresponding quarter of the previous year.
(d) Annualized quarterly net income less preferred dividends divided by average common shareholders' equity (which includes common share capital plus retained earnings).
(e) Return on common shareholders' equity as reported adjusted for the after-tax impact of the amortization of non-cash goodwill and intangible assets. Equity is not adjusted to exclude non-cash goodwill and intangible assets.
(f) Percentage change in net economic profit for the quarter over the corresponding quarter of the previous year.
(g) Non-interest expense divided by total revenue (TEB).
(h) Annual provision for credit losses divided by average net loans and acceptances.
(i) Gross impaired loans divided by total equity and allowance for credit losses.
(j) Cash and securities divided by total assets.
(k) Tier 1 capital divided by risk-weighted assets as defined by the Superintendent of Financial Institutions Canada.
(l) Composite of Moody's and Standard & Poor's debt ratings.
(m) On July 16, 1999, the CICA Emerging Issues Committee issued for prospective application an Abstract setting out requirements for the accounting for corporate transactions costs, including proposed mergers. Had the requirements of the Abstract been retroactively applied to the costs of the proposed merger with Royal Bank which were charged to retained earnings, net income would have been reduced by $25 million to $337 million for the quarter ended January 31, 1999 and $1,357 million for the year ended October 31, 1999. Earnings per share would have been reduced by $0.09 per share to $1.16 basic and $1.15 fully diluted for the quarter ended January 31, 1999 and $4.67 basic and $4.63 fully diluted for the year ended October 31, 1999.

In the opinion of Bank of Montreal management, information that is derived from unaudited financial information, including information as at and for the interim periods, contains all adjustments necessary for a fair presentation of such information. All such adjustments are of a normal and recurring nature. Financial ratios for interim periods are stated on an annualized basis where appropriate, and such ratios, as well as interim operating results, are not necessarily indicative of actual results for the full fiscal year.

Corporate Governance

Corporate governance practices continue to evolve at a rapid pace. At Bank of Montreal we constantly review, evaluate and modify our governance program to ensure its ongoing effectiveness. This has resulted in the Bank being a pacesetter in establishing high standards of corporate governance throughout the past decade. Those standards are consistent with, and in many cases exceed, the objectives of the guidelines adopted by the Toronto Stock Exchange in 1995.

The Bank's program originated with the 1991 report to the Board of Directors entitled *Shaping the Board of Directors for the Future.* At that time, we recognized that the Bank's Board of Directors needed to become more engaged with, and more responsive to, growing public dissatisfaction with certain aspects of corporate behaviour and public and shareholder pressure to have boards be more accountable for their activities.

Bank of Montreal is proud of its corporate governance program, which for the past three years has been recognized by the Award of Excellence for Leadership in Corporate Governance sponsored by the Canadian Institute of Chartered Accountants and the *National Post.* The Bank's program speaks for itself.

Stewardship by the Board

The Board of Directors is responsible for the management or supervision of the management of the business and affairs of the Bank, and discharges these responsibilities either directly or through Board committees. Among its many specific duties, the Board selects, evaluates, sets the compensation for and, if necessary, replaces the CEO; approves strategic plans and objectives; approves major decisions and corporate plans; provides advice and counsel to the CEO; nominates directors and evaluates Board performance; oversees the ethical, legal and social conduct of the organization; and reviews the financial performance and condition of the Bank. Key elements of the Board's activities include:

- An annual all-day strategy session which enables the directors to gain a fuller appreciation of planning priorities and provides them with the opportunity to give constructive feedback to management.
- Ensuring the Bank has a prudent and professional risk management framework, which is the responsibility of the Board's Risk Review Committee.
- Ensuring the integrity of the Bank's internal control and management information system, which is the responsibility of three Board committees — Audit, Conduct Review and Risk Review.
- Succession planning for senior management, including the CEO, which is the responsibility of the Human Resources and Management Compensation Committee of the Board. This planning is based on predetermined quantitative and qualitative criteria.
- The commitment to fair treatment of shareholders irrespective of the size of their individual holdings.

Effectiveness and Independence of the Board

- For 2000, 17 of the 18 directors were "unrelated" pursuant to the relationship rules set forth in the Bank Act, which are more restrictive than the TSE guidelines. The Chairman and CEO is the only "related" director. Attrition will reduce the Board to 15 members in 2001, which is considered a very workable number for effective decision-making and to satisfactorily form the Board committees.
- The Governance Committee is responsible for recommending to the Board its size, composition and membership, director succession planning, and Board committee structure and composition. It also functions as the nominating committee. Other Governance Committee responsibilities include developing, implementing, reviewing and enhancing the Bank's governance program. Any shareholder proposals are assessed by the Governance Committee for appropriateness for inclusion in the Proxy Circular. The Committee also plays a key role in formulating the responses to those proposals.
- The Chair of the Governance Committee serves as the lead director and chairs sessions of the Board, in the absence of management, during every Board meeting.
- A comprehensive orientation program for new directors is in place.
- All Board committees are composed of outside directors except the Executive Committee and Risk Review Committee, both of which include the Chairman and CEO as a member. Full details of the committee mandates are set out in the Proxy Circular. These detailed committee mandates are reviewed at least annually to ensure they reflect current practice. In particular, the Audit Committee, which, in compliance with the Bank Act, must be composed exclusively of outside directors, meets regularly with the shareholders' auditors and the Office of the Superintendent of Financial Institutions. Among its responsibilities is the oversight of management reporting on internal control.
- Individual directors may engage an outside advisor at the expense of the Bank in appropriate circumstances. Further, under the direction of the committee chairs, Board committees may engage independent consultants as needed.
- The Board Approval/Oversight Guidelines, which are updated at least annually, distinguish precisely and clearly those matters requiring Board approval from those within the purview of management, which are reported to the Board after the fact.

Accountability and Compensation of Directors

- An annual corporate governance survey on Board effectiveness has taken place since 1991, using outside consultants to compile results. In addition, this year a separate survey was introduced to assess the effectiveness of the individual committees.
- An annual director peer feedback performance review process was introduced in 1997, which relies on outside consultants for the compilation of its results. This survey measures individual director performance against the Board's Charter of Expectations for Directors.
- Comprehensive descriptions for the Chairman and CEO are in place and corporate objectives for the CEO are approved by the Board annually. The Governance Committee annually assesses the performance of the Chairman and CEO in his role as Chairman, while the Human Resources and Management Compensation Committee assesses his performance as CEO.
- Directors' compensation is benchmarked annually against the Bank's peer group. To further align directors' interests with those of shareholders, at least 50% of a director's annual retainer must be paid in Bank stock or in deferred share units, with an option to take 100% of both the retainer and any fees in this manner.
- The Board has adopted a set of policies which include attendance requirements, mandatory retirement age, resignation (for acceptance or decline by the Board) upon a change in principal occupation, and restriction of the number of management directors on the Board to no more than two.

Directors and Officers

Directors

F. Anthony Comper
Chairman and
Chief Executive Officer

Stephen E. Bachand
Ponte Vedra Beach,
Florida, U.S.A.
Corporate Director

David R. Beatty, O.B.E.
Toronto, Ont.
Chairman and
Chief Executive Officer
Beatinvest Limited

Peter J.G. Bentley, O.C., LL.D.
Vancouver, B.C.
Chairman
Canfor Corporation

Robert Chevrier, C.A.
Montreal, Que.
Chairman and
Chief Executive Officer
Rexel Canada Inc.

John F. Fraser, O.C., LL.D.
Winnipeg, Man.
Chairman
Air Canada

David A. Galloway
Toronto, Ont.
President and
Chief Executive Officer
Torstar Corporation

Eva Lee Kwok
Vancouver, B.C.
Chair and
Chief Executive Officer
Amara International
Investment Corp.

J. Blair MacAulay
Oakville, Ont.
Counsel
Fraser Milner Casgrain
Toronto

The Honourable
Frank McKenna, P.C.
Cap Pelé, N.B.
Counsel
McInnes Cooper
Moncton

Robert H. McKercher, Q.C.
Saskatoon, Sask.
Counsel
McKercher McKercher
& Whitmore

Bruce H. Mitchell
Toronto, Ont.
President and
Chief Executive Officer
Permian Industries Limited

Philip S. Orsino, F.C.A.
Caledon, Ont.
President and
Chief Executive Officer
Premdor Inc., Mississauga

J. Robert S. Prichard, O.C.
Toronto, Ont.
Professor, Faculty of Law
and President Emeritus
University of Toronto

Jeremy H. Reitman
Montreal, Que.
President
Reitmans (Canada) Limited

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Toronto, Ont.
Executive Chairman
Clairvest Group Inc.

Guylaine Saucier, C.M., F.C.A.
Montreal, Que.
Chairman
Board of Directors
Canadian Broadcasting
Corporation

Nancy C. Southern
Calgary, Alta.
Co-Chairman and
Chief Executive Officer
ATCO Ltd. and
Canadian Utilities Limited

Honorary Directors

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Bethesda, Maryland, U.S.A.

Ralph M. Barford
Toronto, Ont.

Matthew W. Barrett, O.C., LL.D.
London, England

Claire P. Bertrand
Montreal, Que.

The Honourable
Sidney L. Buckwold, O.C.
Saskatoon, Sask.

Frederick S. Burbidge, O.C.
Frelighsburg, Que.

Pierre Côté, C.M.
Quebec City, Que.

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Nathanael V. Davis
Osterville, Massachusetts,
U.S.A.

Graham R. Dawson
Vancouver, B.C.

Louis A. Desrochers, C.M., c.r.
Edmonton, Alta.

John H. Devlin
Toronto, Ont.

A. John Ellis, O.C., LL.D., O.R.S.
Vancouver, B.C.

Thomas M. Galt
Toronto, Ont.

J. Peter Gordon, O.C.
Mississauga, Ont.

John H. Hale
London, England

G. Arnold Hart, M.B.E., C.M.
Mountain, Ont.

Donald S. Harvie, O.C.
Calgary, Alta.

Richard M. Ivey, C.C., Q.C.
London, Ont.

Senator Betty Kennedy,
O.C., LL.D.
Milton, Ont.

David Kinnear
Toronto, Ont.

Ronald N. Mannix
Calgary, Alta.

Eric H. Molson
Montreal, Que.

The Honourable
Hartland de M. Molson,
O.C., O.B.E.
Montreal, Que.

William D. Mulholland, LL.D.
Georgetown, Ont.

Jerry E.A. Nickerson
North Sydney, N.S.

Lucien G. Rolland, O.C.
Montreal, Que.

Mary Alice Stuart,
C.M., O.ONT., LL.D.
Toronto, Ont.

Lorne C. Webster
Montreal, Que.

Members of Management Board

F. Anthony Comper*
Chairman and
Chief Executive Officer

Yvan J.P. Bourdeau*
President and
Chief Operating Officer
BMO Nesbitt Burns
Investment Banking Group

Ronald H. Call*
Senior Vice-President
Corporate Planning
Office of Strategic Management

Barry M. Cooper
Chairman and
Chief Executive Officer
Jones Heward Investment
Counsel Inc.
Private Client Group

Sherry S. Cooper
Executive Vice-President and
Global Economic Strategist

Ellen M. Costello
Executive Managing Director
Securitization and Credit
Investment Management
Investment Banking Group

Lloyd F. Darlington*
President and
Chief Executive Officer
Emfisys and Head, E-Business

William A. Downe*
Vice-Chair, Private Client
Group and Deputy Chair
BMO Nesbitt Burns

Angela Ferrante
Senior Vice-President
Corporate Communications

Barry K. Gilmour
Deputy Group Head and
Chief Operating Officer, Emfisys
Emfisys and E-Business

Maurice A.D. Hudon
President, Personal Banking
Products, Personal &
Commercial Client Group

David R. Hyma
Executive Managing Director
Capital Markets
Investment Banking Group

Marnie J. Kinsley
Executive Vice-President
E-Business
Emfisys and E-Business

Louis F. Lanwermeyer
Executive Vice-President
Marketing and Product
Development, Harris Bank

Kathryn M. Lisson
Executive Vice-President
Information Technology
Planning & Strategy
Emfisys and E-Business

Edward W. Lyman
Vice-Chair of the Board
Harris Bank

Neil R. Macmillan
Executive Managing Director
Head of Asset Portfolio
Management and
Senior Credit Officer
Investment Banking Group

Karen E. Maidment*
Executive Vice-President
and Chief Financial Officer

Michel G. Maila
Executive Vice-President
Risk Management Group

Dean G. Manjuris
President and Managing
Director, Private Client Division
Private Client Group

Robert L. McGlashan
Executive Vice-President
Commercial Banking, Personal
& Commercial Client Group

Alan G. McNally*
Vice-Chair and
Chairman and Chief Executive
Officer, Harris Bank

L. Jacques Ménard
President, Bank of Montreal
Group of Companies,
Quebec; Deputy Chair
BMO Nesbitt Burns
Investment Banking Group

Thomas V. Milroy
Executive Managing Director
Head of Investment
& Corporate Banking
Investment Banking Group

Kathleen M. O'Neill
Executive Vice-President
mbanx Direct and Customer
Value Management
Personal & Commercial
Banking Distribution
Personal & Commercial
Client Group

Timothy J. O'Neill
Executive Vice-President
and Chief Economist

R. Jeffrey Orr*
Vice-Chair, Investment
Banking Group and
Chairman and
Chief Executive Officer
BMO Nesbitt Burns

Gilles G. Ouellette*
President and Chief Operating
Officer, Private Client Group
and Deputy Chair
BMO Nesbitt Burns

Rose M. Patten*
Executive Vice-President
Office of Strategic Management

Robert W. Pearce
President, Personal &
Commercial Banking
Distribution, Personal &
Commercial Client Group

Pamela J. Robertson
Executive Vice-President
Ontario Division
Personal & Commercial
Banking Distribution
Personal & Commercial
Client Group

Ronald G. Rogers*
Vice-Chair, Personal &
Commercial Client Group

Deanna Rosenswig
Executive Vice-President
Corporate Electronic
Financial Services
Emfisys and E-Business

Colin D. Smith
Executive Vice-President
and Senior Credit Officer
Personal & Commercial
Client Group

Penelope F. Somerville
Executive Vice-President
and Treasurer

Frank J. Techar
Executive Vice-President
Small Business Banking
Personal & Commercial
Client Group

William E. Thonn
Executive Vice-President
Harris Bank
Private Client Group

Eric C. Tripp
Executive Managing Director
Equity Division
Investment Banking Group

Robert B. Wells
Executive Vice-President

*Member of Management Board Executive Committee

Corporate Officers

Christopher B. Begy
Senior Vice-President and
Corporate Controller

Dereck M. Jones
Senior Vice-President and
General Counsel

Johanne M. Totta
Senior Vice-President and
Chief Auditor

Velma J. Jones
Vice-President and
Corporate Secretary

Janine M. Mulhall
Vice-President and
Chief Accountant

Glossary of Financial Terms

Adjusted Assets
Used in the calculation of the assets-to-capital multiple and includes on-balance sheet assets plus standby letters of credit and guarantees.

Allowance for Credit Losses
An amount set aside and deemed adequate by management to absorb potential credit-related losses in the Bank's portfolio of loans, acceptances, guarantees, letters of credit, deposits with other banks and derivatives. Allowances for credit losses can be specific or general and are accounted for as deductions from the related assets in the financial statements.

Assets under Administration and under Management
Assets administered and/or managed by a financial institution that are beneficially owned by clients and are therefore not reported on the balance sheet of the financial institution.

Average Earning Assets
This amount represents the daily or monthly average balance over a one-year period of deposits with other banks, loans and securities.

Bankers' Acceptance (BA)
A bill of exchange or negotiable instrument drawn by the borrower for payment at maturity and accepted by a bank. BAs constitute a guarantee of payment by the bank and can be traded in the money market. The bank earns a "stamping fee" for providing this guarantee.

Basis Point
One one-hundredth of a percentage point.

Counterparty
The opposite side of a transaction, typically the Bank's corporate or commercial customers or another financial institution. Counterparty risk refers to the risk that the counterparty will not be able to meet its financial obligations under the terms of the contract or transaction it has entered into.

Derivatives
A derivative is a contract whose value is "derived" from interest rates, foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in interest rates, foreign exchange rates and equity and commodity prices. See also individual definitions of forwards and futures, forward rate agreements, options and swaps.

Earnings at Risk
The impact on net income over the following 12 months of a one-time change in market rates/prices.

Economic Value at Risk
The impact on the value of the Bank's assets and liabilities of a change in market rates/prices.

Forwards and Futures
Contractual commitments to either buy or sell a specified currency or financial instrument on a specified future date at a specified price. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Forward Rate Agreement (FRA)
A type of derivative obliging two parties to make a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional amount. An FRA can act as a hedge against future movements in market interest rates.

Guarantees and Standby Letters of Credit
Primarily represent a bank's obligation to make payments to third parties on behalf of its clients if its clients are unable to make the required payments or meet other contractual requirements.

Hedge
A risk management technique used to neutralize/manage interest rate or foreign currency exchange exposures arising from normal banking operations.

Impaired Loans
Loans are classified as impaired when, in the opinion of management, there is no longer reasonable assurance of the timely collection of principal and interest. Interest on impaired loans is only recognized as interest revenue when management has reasonable assurance of the timely collection of the full amount of principal and interest.

Innovative Tier 1 Capital
The Office of the Superintendent of Financial Institutions Canada (OSFI) allows banks to issue instruments which qualify as "Innovative" Tier 1 capital. In order to qualify, these instruments have to be issued indirectly through a special purpose vehicle, they have to be permanent in nature and free of any fixed charges, the bank has to absorb any losses and must account for them on an equity basis. They cannot comprise more than 15% of net Tier 1 Capital and cannot exceed, in aggregate, 25% of innovative and perpetual preferred shares.

Margining
Margins for futures contracts are money or securities used as an initial deposit as assurance that the contract will be fulfilled. Margining refers to adjustments made to the initial deposit as market movement causes the fair value of the instrument to fluctuate, possibly requiring additional deposits to be placed with the exchange.

Mark-to-Market
Valuation at market rates, as of the balance sheet date, of securities and derivatives held for trading purposes.

Net Economic Profit (NEP)
Cash net income available to common shareholders less a charge for capital.

Net Interest Income
The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits and subordinated debt.

Net Interest Margin
Average net interest margin is the ratio of net interest income to average assets.

Notional Amount
The amount considered as principal when calculating interest and other payments for derivative contracts. This amount traditionally does not change hands under the terms of a derivative contract.

Off-Balance Sheet Financial Instruments
An asset or liability that is not recorded on the balance sheet, but has the potential to produce positive or negative cash flows in the future. A variety of products offered to clients can be classified as off-balance sheet and they fall into two broad categories: (i) credit-related arrangements, which provide clients with liquidity protection, and (ii) derivatives.

Options
Contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period.

Over-the-Counter (OTC)
Trading that occurs outside of organized or regulated securities exchanges, carried out by broker-dealers who communicate with one another by telephone and quotation terminals. Prices on OTC instruments are negotiated between buying and selling brokers. Certain OTC instruments are traded in accordance with rules prescribed by self-regulating bodies.

Provision for Credit Losses
A charge to income which represents an expense deemed adequate by management given the composition of a bank's credit portfolios, their probability of default, the economic environment and the allowance for credit losses already established. Specific provisions are established to reduce the book value of specific assets (primarily loans) to establish the amount expected to be recovered on the loans.
A country risk provision is established for loans to and securities of countries identified by OSFI that have restructured or experienced difficulties in servicing all or part of their external debt to commercial banks. A general provision for loan losses is established in recognition of the fact that not all of the impairment in a loan portfolio can be specifically identified on a loan-by-loan basis.

Regulatory Capital Ratios
The percentage of risk-weighted assets supported by capital, as defined by OSFI under the framework of risk-based capital standards developed by the Bank for International Settlements. These ratios are labeled Tier 1 and Tier 2. Tier 1 capital is considered to be more permanent, consisting of common shares together with any qualifying non-cumulative preferred shares less unamortized goodwill. Tier 2 capital consists of other preferred shares, subordinated debentures and general allowances to certain prescribed limits. Assets-to-capital multiple is adjusted assets divided by total capital.

Replacement Cost of Derivative Contracts
The cost of replacing a derivative contract that has a positive fair value at current market rates should a counterparty fail to settle.

Return on Common Shareholders' Equity (ROE)
This represents net income, less preferred share dividends, expressed as a percentage of average common shareholders' equity. Cash-based ROE eliminates the impact in accounting treatment for business acquisitions in Canada and the United States and adjusts net income by adding back amortization of goodwill and intangible assets. Equity is not adjusted to exclude goodwill and intangible assets.

Risk

Country Risk
Also known as sovereign risk, it is the risk that economic or political change in a country may impact repayments to creditor banks. This risk is considered higher for certain emerging market and lesser-developed countries specifically identified by OSFI.

Credit Risk
The potential for loss due to the failure of a counterparty or borrower to meet its financial obligations. Credit risk arises from traditional lending activity, from settling payments between financial institutions and from providing products that create replacement risk. Replacement risk arises when a counterparty's commitments to us are determined by reference to the changing values of contractual commitments.

Foreign Exchange Risk
Possible losses resulting from exchange rate movements. A foreign currency devaluation, for example, could result in losses on an overseas investment.

Interest Rate Risk
The potential impact on the bank's earnings and economic value due to changes in interest rates. Rising interest rates could, for example, increase funding costs and reduce the net interest margin earned on a fixed yield mortgage portfolio.

Liquidity Risk
The risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

Market Risk
The potential for loss arising from potential adverse changes in underlying market factors, including interest and foreign exchange rates, equity and commodity prices, spread and basis risk.

Operational Risk
The risk of loss resulting from a breakdown in, for example, communications, information or transactional processing or legal/compliance issues, due to technology/systems or procedural failures, human errors, disasters or criminal activity. The Bank's definition of operational risk consists of two main components, operations risk and business/event risks.

Replacement Risk
The risk that a financial contract will need to be replaced in the open market at a cost to the bank/enterprise.

Risk Adjusted Return on Capital (RAROC)
A measurement tool that enables management to allocate capital, and the related cost of capital, in respect of credit, market and operational risk by type of transaction, client and line of business. This facilitates the deployment of capital to business units that can provide the maximum shareholder value on the capital invested.

Risk-Weighted Assets
Used in the calculation of risk-based capital ratios. The face amount of assets is discounted using predetermined risk-weighting factors in order to reflect a comparable risk per dollar among all types of assets. By adjusting notional values to balance sheet (or credit) equivalents and then applying appropriate risk-weighting factors, risks inherent in off-balance sheet instruments are recognized.

Securities Purchased under Resale Agreements
A type of transaction that involves the purchase of a security, normally a government bond, with the commitment by the buyer to resell the security to the original seller at a specified price on a specified date in the future.

Securities Sold under Repurchase Agreements
A type of transaction where a security is sold with the commitment by the seller to repurchase the security at a specified price and time.

Securities Sold but not yet Purchased
A transaction in which the seller sells securities it does not own. The seller borrows the securities in order to deliver them to the purchaser. At a later date, the seller buys identical securities in the market to replace the borrowed securities. On the balance sheet, this category represents our obligation to deliver securities that we did not own at the time of sale.

Securitization
Securitizing assets involves selling financial assets to trusts or special purpose vehicles that are independent from the Bank; it serves as an effective balance sheet management tool by reducing or eliminating the need to hold capital against risk-weighted assets, enabling capital to be reduced or redeployed to alternative revenue-generating purposes, and serves as an effective liquidity management tool by diversifying funding sources.

Spread
The difference between two product rates, typically an asset and a liability.

Swaps
Contractual agreements between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. For cross-currency interest rate swaps, principal amounts and fixed and floating rate interest payments are exchanged in different currencies.

Taxable Equivalent Basis (TEB) Adjustment
An addition to interest income to gross up the tax-exempt income earned on certain securities (primarily loan substitute securities) to an amount which, had it been taxable at the statutory rate, would result in the same after-tax net income as appears in the financial statements. This results in a better reflection of the pre-tax economic yield of these assets and facilitates uniform measurement and comparison of net interest income.

Total Shareholder Return (TSR)
This amount is calculated as the annualized total return on an investment in our common shares made at the beginning of a designated period, usually one or five years. Total return on common shares includes the effect of a change in the share price and assumes that dividends received on common shares are reinvested in additional common shares.

Value at Risk (VaR)
VaR measures the adverse impact on the value of a portfolio, over a specified time period, of potential changes in market rates and prices. VaR is usually measured at a 99% confidence interval and assumes that changes in rates and prices are correlated.

Volatility
A term which generally refers to a measure of price variance, usually the standard deviation of returns from a security or a portfolio of securities over a specified period of time.

Shareholder Information

Common Share Trading Information during Fiscal 2000

Primary Stock Exchanges	Ticker	Year-end Price Oct. 31, 2000	High	Low	Total Volume of Shares Traded
Toronto	BMO	**$ 70.50**	$ 71.60	$ 42.00	206.2 million
New York	BMO	**US$ 46.38**	US$ 47.81	US$ 29.13	3.5 million

Dividends per Share Declared during Fiscal Year

Issue/Class	Ticker	Shares Outstanding at Oct. 31, 2000	2000	1999	1998	1997	1996
Common	BMO	261,291,947	**$ 2.00**	$ 1.88	$ 1.76	$ 1.64	$ 1.48
Preferred Class A							
Series 4 (a)		–	**$ –**	$ 1.87	$ 2.25	$ 2.25	$ 2.25
Series 5 (b)		–	**$ –**	$ 522.26	$ 19,062.50	$ 19,062.50	$ 19,062.50
Preferred Class B							
Series 1	BMO E	10,000,000	**$ 2.25**	$ 2.25	$ 2.25	$ 2.25	$ 2.25
Series 2	BMO U	10,000,000	**US$ 1.6876**	US$ 1.6876	US$ 1.6876	US$ 1.6876	US$ 1.6876
Series 3	BMO F	16,000,000	**$ 1.3875**	$ 1.3875	$ 1.3875	$ 0.93145	–
Series 4 (c)	BMO G	8,000,000	**$ 1.20**	$ 1.20	$ 0.8966	–	–
Series 5 (c)	BMO H	8,000,000	**$ 1.3250**	$ 1.3250	$ 0.99	–	–
Series 6 (c)	BMO I	10,000,000	**$ 1.1875**	$ 1.1875	$ 0.626019	–	–

(a) The Class A Preferred Shares Series 4 were redeemed on September 24, 1999.
(b) The Class A Preferred Shares Series 5 were redeemed on December 5, 1998.
(c) The Class B Preferred Shares were issued in February 1998 for Series 4 and 5, and in May 1998 for Series 6.

2001 Dividend Dates

Common and Preferred Shares Record Dates	Preferred Shares Payment Dates	Common Shares Payment Dates
February 2	February 26	February 27
May 4	May 25	May 30
August 3	August 27	August 30
November 2	November 26	November 29

The Bank Act prohibits a bank from paying or declaring a dividend if it is or would thereby be in contravention of capital adequacy regulations. Currently this limitation does not restrict the payment of dividends on the Bank's common or preferred shares.

Market for Securities of the Bank
The common shares of the Bank are listed on the Toronto and New York stock exchanges and The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, London, England. The preferred shares of the Bank are listed on the Toronto Stock Exchange.

Restraints on Ownership of Shares under the Bank Act
No person or group of associated persons may own more than 10% of any class of shares, and ownership of the Bank's shares by Canadian or foreign governments is prohibited.

Shareholder Administration
The Trust Company of Bank of Montreal, with transfer facilities in the cities of Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, serves as transfer agent and registrar for common and preferred shares. In addition, The Trust Company of Bank of Montreal and Harris Trust Company of New York serve as transfer agents and registrars for common shares in London, England and New York, respectively.

For dividend information, change in share registration or address, lost certificates, estate transfers, or to advise of duplicate mailings, please call the Bank's Transfer Agent and Registrar at 1-800-332-0095 (Canada and the United States), or at (514) 877-2500 (international), or write to The Trust Company of Bank of Montreal, 129 Saint-Jacques St., B Level North, Montreal, Quebec H2Y 1L6.

For all other shareholder inquiries, please write to Shareholder Services at the Corporate Secretary's Department, 21st Floor, 1 First Canadian Place, Toronto, Ontario M5X 1A1, e-mail to corp.secretary@bmo.com, call (416) 867-6785, or fax (416) 867-6793.

Shareholder Dividend Reinvestment and Share Purchase Plan
The Shareholder Dividend Reinvestment and Share Purchase Plan provides a means for holders of record of common and preferred shares to reinvest cash dividends in common shares of the Bank without the payment of any commissions or service charges.

Shareholders of the Bank may also purchase additional common shares of the Bank by making optional cash payments of up to $40,000 per fiscal year. Full details of the plan are available from The Trust Company of Bank of Montreal or Shareholder Services.

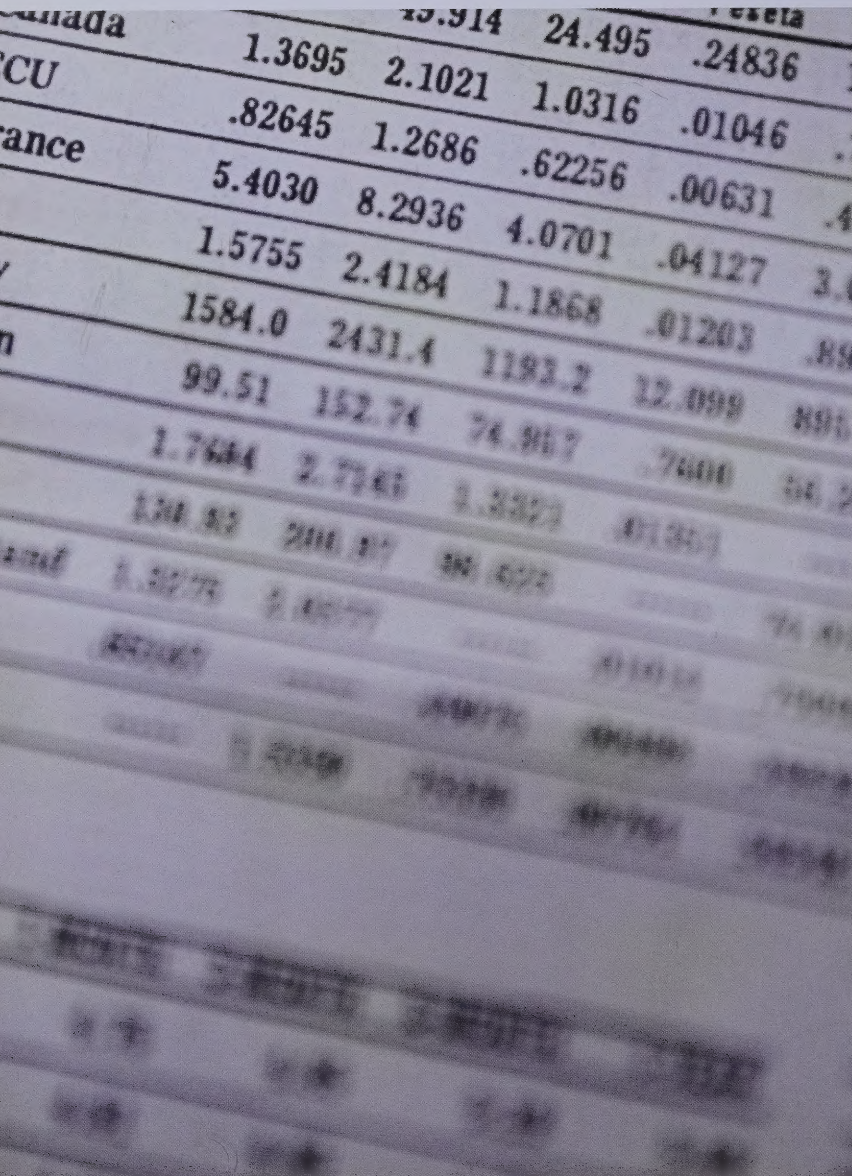
Direct Dividend Deposit
Shareholders may choose to have dividends deposited directly to an account in any financial institution in Canada that provides electronic funds transfer facilities.

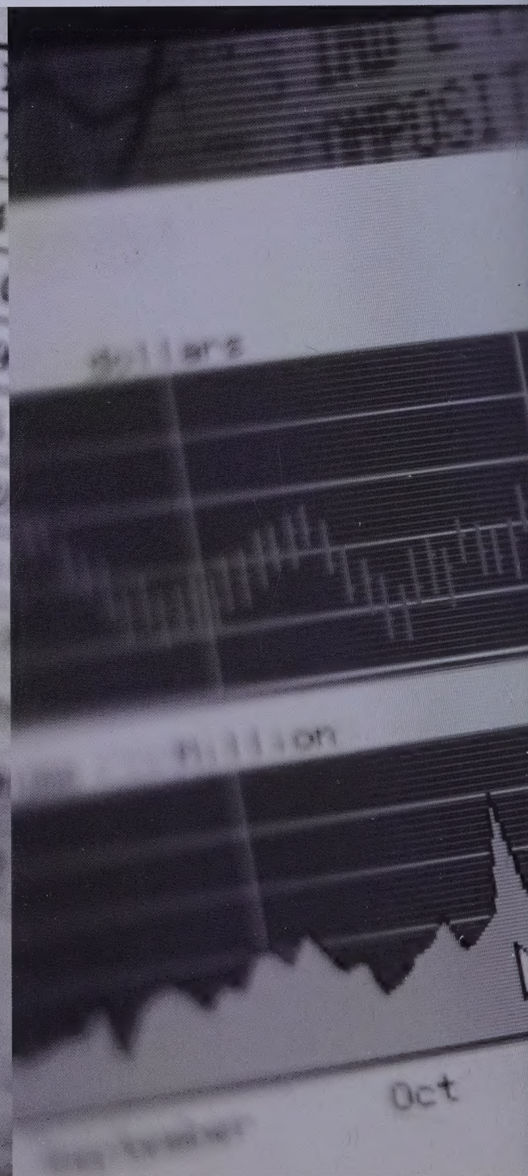
Institutional Investors and Research Analysts
Institutional investors or research analysts who would like to obtain financial information should write to the Vice-President, Investor Relations, 18th Floor, 1 First Canadian Place, Toronto, Ontario M5X 1A1, e-mail to investor.relations@bmo.com, call (416) 867-6656, or fax (416) 867-3367. Alternatively, please visit our web site at www.bmo.com/investorrelations.

General Information
For general inquiries about company news and initiatives, or to obtain additional copies of the Annual Report, please contact the Corporate Communications Department, Bank of Montreal Tower, 55 Bloor Street West, 4th Floor, Toronto, Ontario M4W 3N5, or visit our web site at www.bmo.com. (On peut obtenir sur demande un exemplaire en français.)

Annual Meeting
The Annual Meeting of Shareholders will be held on Tuesday, February 27, 2001 at 9:30 a.m. (Pacific Standard Time) at the Four Seasons Hotel, Vancouver, British Columbia, Canada.

Fees Paid to our Shareholders' Auditors
Fees amounting to $29.7 million were paid to our shareholders' auditors and their affiliates, of which $23.5 million related to non-audit services including legislative and regulatory compliance, tax, project management and general consulting.





Bank of Montrea